Austria	Sch24	Indonesia	Rp3100	Philippines	Pso40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc160
Belgium	BFr55	Israel	Shk3.50	Qatar	QR9.00
Cyprus	C£0.80	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM8.00	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.50	Malaysia	M$4.25	Thailand	[illegible]
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira18	UAE	Dh7.00
Iceland	IKr100	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,122

Wednesday April 11 1990

D 8523A

SUMMIT

Thatcher at bay in Bermuda

Page 4

World News

India warns of war as Kashmir crisis grows

Mr V. P.Singh, the Indian Prime Minister, told parliament that India should be "psychologically prepared" for war as the crisis in Kashmir deepened.

The growing sense of crisis in New Delhi was exacerbated when Kashmiri militants claimed responsibility for two bombs which exploded in the Indian capital, injuring nine policemen. Page 20

HK passports row

A British Foreign Minister embarrassed and annoyed diplomats representing France, Germany and other countries by presenting what they regarded as an exaggerated and premature report of their Governments' plans to grant passports to Hong Kong people. Page 6

Hostages fly home

Three European hostages released by Palestinian extremists in Lebanon were due to arrive in Paris last night as the French Government thanked Libya for its part in ending their 2½-year ordeal. Page 6

UK journalist fined

A reporter for a British trade journal who had refused to reveal a source was fined £5,000 ($8,200) after a judge ruled out prison for "an otherwise perfectly honourable man." Page 11

Opposition wins

Yugoslavia's northern republic of Slovenia moved closer towards independence after Demos, the opposition coalition, won an absolute majority in the elections. Page 2

Alliance proposals

Soviet Union accepted the idea of "a great alliance for democracy from the Atlantic to the Urals," suggested by Mrs Margaret Thatcher, Britain's Prime Minister. Page 20

Tanzanian floods

The worst floods in nearly 50 years have killed 52 people and swept away 4,000 homes in southern Tanzania, police said.

ANC delegates

African National Congress (ANC) will be represented by a relatively moderate delegation when it holds its first formal talks with the South African Government early next month. Page 6

EC policy group

EC leaders will set up a high-level group to study political union at their Dublin summit later this month forecast Charles Haughey, Irish Prime Minister and current EC President. Page 20

Shuttle launch delay

Launch of the US space shuttle Discovery was delayed for at least 24 hours. It will carry five astronauts and a telescope allowing observation of deep space. Page 6

Drugs plan split

Differing approaches to tackling demand for illicit drugs emerged during the second day of the world drugs summit in London, underlining the problems of achieving a co-ordinated response. Page 6

King to visit Romania

Exiled King Michael of Romania would leave Switzerland on Thursday as scheduled for his first visit to his native country in more than 40 years, his eldest daughter said.

Walesa for president

Mr Lech Walesa, Poland's Solidarity leader, said he would run against President Wojciech Jaruzelski for the presidency. Page 2

Lot of hot air

A three-man Japanese team will attempt the world's first hot-air balloon flight from Tibet to Nepal over Mount Everest in early May.

Business Summary

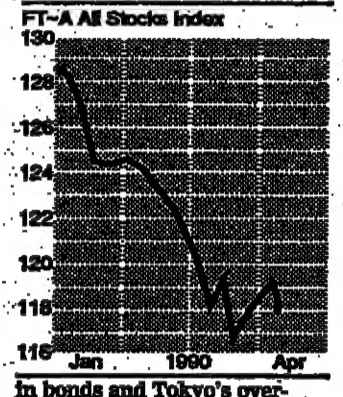
Hoylake to continue US battle for BAT

Sir James Goldsmith's Hoylake consortium said it would continue the US regulatory battle in its effort to take over BAT Industries, the tobacco-based conglomerate, despite receiving a serious setback in California.

Hoylake requires approval from nine separate state insurance departments to take control of BAT and, by implication, its Los Angeles-based insurance subsidiary, Farmers Group. It proposes to sell Farmers to Axa Midi Assurances of France for $4.5bn if it makes a successful offer for BAT. Page 21

MARKETS: Gilts ended lower, as concern rose that UK inflation is increasing more sharply than expected. The benchmark Treasury 11¾ 2003/2007 was down 13/16 at 98⅛ to yield 12.01 per cent. Page 27. Weakness

UK Gilts



in bonds and Tokyo's overnight fall discouraged most markets, with profit-takers active in Frankfurt and Paris. Back page, Section II

BRITISH venture capital group, 3i, linked with Industrial Bank of Japan (IBJ), the country's top long-term credit bank, to establish a venture capital company in Japan. Page 21; Lex, page 20

EUROPEAN banks and credit card companies have drawn up a voluntary code of conduct to protect the owners of lost or stolen credit cards Page 3

BOMBARDIER, the Canadian transportation equipment group, has agreed to buy Learjet, maker of the business jet, for $75m and the assumption of $38m of outstanding debt. Page 22

MITSUBISHI Metal, Japan's largest smelting company, and Mitsubishi Mining and Cement, a leading building materials producer, announced plans to combine their activities. Page 25

EUROPEAN Commission approved payment of (Ecu2bn) ($2.40bn) of state aid to the Italian steel sector, in response to signs that restructuring is going ahead. Page 3

NISSAN Motor, Japanese automotive group, has dispatched Mr Isamu Kawai, a senior executive, to take charge of Fuji Heavy Industries, its Subaru car making affiliate which has run into difficulties. Page 25

ARGENTINA's retail price inflation for March reached 95.5 per cent, bringing accumulated inflation for the last 12 months to 20,266 per cent. Page 4

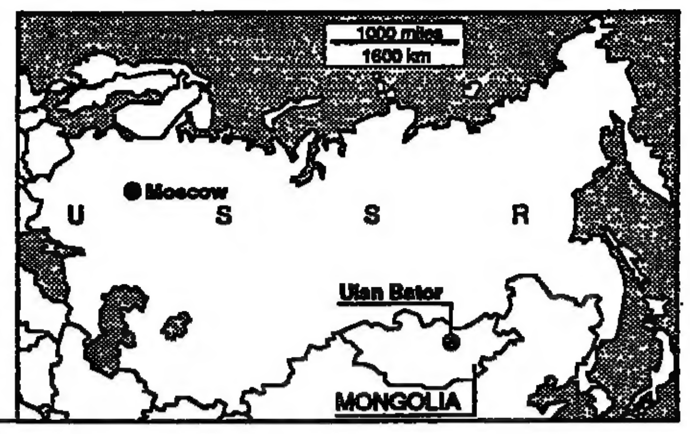
TIME Warner, media and entertainment group, has agreed to arrange a $650m bank loan to help Mr Giancarlo Parretti, Italian financier and head of Pathé Communications, in his $1.2bn proposed acquisition of MGM/UA. Page 22

GDANSK shipyard will be sold to shareholders at 10,000 zlotys ($1.05) each, with 20 per cent going to shipyard workers at half price before 1990, reports AP. Founding capital is to total about Zlotys 108bn ($11.4m).

INSOLVENCIES in the UK rose sharply in the first three months of this year, due to the effects of high interest rates. Page 10

Cult of Genghis Khan stirs Mongolian nationalism

By Robert Thomson in Ulan Bator



CHARISMA may have helped President Mikhail Gorbachev in his drive for perestroika in the Soviet Union, but among the leaders of Mongolia's democratic revolution, it is considered a character flaw.

This is somewhat surprising since another prominent Mongolian, one Genghis Khan, is making something of a comeback as a symbol of renewed nationalism in this remote outpost of the Soviet empire.

Yesterday, an extraordinary congress of the Communist Party opened in Ulan Bator, the Mongolian capital. Exchanges between the party and the opposition were characterised by speakers on the dour side of deadpan.

Unlike Mr Boris Yeltsin, Moscow's fire-breathing reformist, Mr Sanjaarsuren Zorig, head of the Mongolian democratic movement, is chiefly admired by ordinary Mongolians for his ability to suppress surplus emotion.

Mr Zorig was voted the country's second most popular person in 1989, behind a scientist and ahead of a wrestler. Part of his success lies in convincing people that politics doesn't have to mean Stalinism: although his own movement is being torn apart this week by a theoretical debate on class conflict.

Still, for some delegates, the congress is their first experience of democracy, let alone the capital. In Ulan Bator, many of the 500,000 residents have built picket fences around their yurts (circular skin or felt-coverted tents).

The Mongolian Communist Party promised to give up its 69-year-old monopoly of power after mass demonstrations last month and it is coming under increasing pressure to speed up reforms and introduce free elections.

Mongolia has still to come to terms with the devastation of its culture. Dozens of Buddhist monasteries were razed after the 1921 revolution in Ulan Bator to make way for Stalinist wedding cake-style buildings and the obligatory, oversized square in the centre of the city.

Communist Party officials
Continued on Page 20

Soviet leader steps up pressure on Baltic republic to end its independence 'adventure'

Lithuanians face threat of direct rule

By John Lloyd in Moscow

SOVIET President Mikhail Gorbachev is prepared to impose direct presidential rule on Lithuania, the rebellious Baltic repubic, but only as an "extreme measure."

He told the opening session of a Congress of the Komsomol Communist youth movement that he would intervene to end the declared independent status of the republic in the event of civil conflict.

Mr Gorbachev's warning increases still further Moscow's sustained campaign of pressure on the breakaway republic. It also coincides with indications that the Soviet authorities are preparing to take economic sanctions against the republic.

Mr Vytautas Landsbergis, Lithuania's President, responded to Mr Gorbachev's statement yesterday by sending him a brief but emotive telegram. It said: "Esteemed President, we are very concerned that ultra-right, imperialist forces are compelling you to take the wrong step and continue the mistakes of 1940 [when Lithuania was incorporated into the Soviet Union]. Do not go further in this.

"In the name of peace, justice and concord, do not do this."

However, Mr Gorbachev's message was later underscored by his spokesman, Mr Arkady Maslennikov, who told journalists: "It is obvious that the President and the Government have sufficient powers to take other measures [than seeking a political settlement] to defend the constitution, rights and interests of Soviet citizens if events develop in an undesirable way."

Mr Maslennikov said the impasse could be broken if the Lithuanian parliament annulled all the decrees it had passed in the past month.

"The President is showing great patience and restraint. We do not want to quarrel with Lithuania. We want a reasonable approach," the spokesman said.

In his speech to the Komsomol, Mr Gorbachev described the decision by the Lithuanian parliament to declare independence as "an adventure" – but not one that was irreversible.

He said a referendum on the issue should be held in the republic and expressed confidence that a plebiscite would show that Lithuanians favoured a form of independence which included active ties with all Soviet republics.

Meanwhile, Moscow indicated yesterday that economic pressure on the republic was being stepped up. Mr Maslennikov denied that there was any question of an economic blockade of the republic but said that many Soviet enterprises were hesitating to sign new contracts with Lithuanian partners.

In addition, Mr Alexander Troshin, deputy chairman of Gosplan, the state planning agency, said the Soviet Union would react to Lithuanian independence by charging the republic world market prices, in hard currency, for its oil supplies, rather than the present highly-subsidised roubles price.

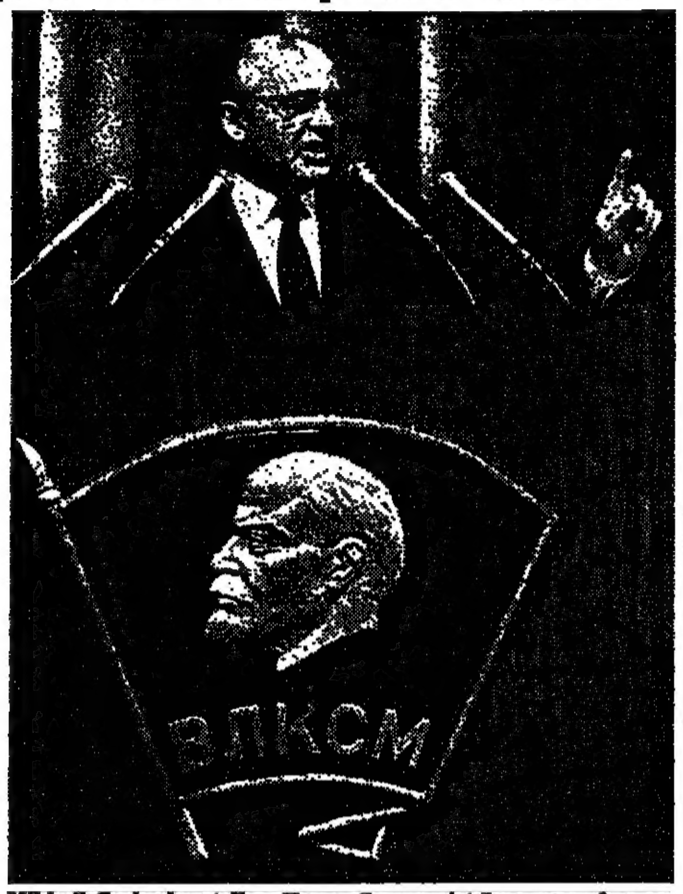
This would raise the price of a tonne of oil from Rs30 ($50) to $110, the price of a tonne of diesel from Rs68 to $120 and a cubic metre of gas from Rs28 to $62.

Mr Troshin, quoted in the newspaper Trud, also said the USSR would have no interest in buying such Lithuanian goods as milk, meat and consumer products "because these goods are more expensive on the domestic market than in the world."

● Mr Gorbachev is also to use his presidential powers to force through the package of pro-market reform measures, expected to be announced in the month. This would forestall parliamentary defeat of the plans which Dr Leonid Abalkin, the Deputy Prime Minister in charge of economic reform, admitted on Monday would bring a "negative reaction."

He said a joint meeting of his Presidential Council and the Council of the Federation on Saturday was expected to make "difficult but necessary decisions" on the plans, the implementation of which would require a "national consensus."

Gorbachev admits Communist Party faces split, Page 2; Soviet Union warms to Thatcher vision, Page 20



Mikhail Gorbachev tells a Young Communist League conference yesterday that he does not rule out the imposition of direct presidential rule to solve the Lithuania crisis

Parent of Credit Suisse launches bid for Bank Leu

By William Dullforce in Geneva

CS HOLDING, the parent company for Credit Suisse, is seeking majority control of Bank Leu, Switzerland's oldest and fifth-largest commercial bank, in what would be one of the biggest takeovers in Swiss banking history.

Mr Rainer Gut, CS Holding's chairman, yesterday announced a public offering under which Bank Leu shareholders would be asked to exchange their shares and participation certificates for equivalent securities in a new holding company.

Bank Leu had a market value of just under SFr1.7bn ($1.1bn) on Monday. Terms for the exchange of shares would be set by an independent trust company, Mr Gut said.

Mr Peter Kupfer, a CS Holding board member, said the takeover bid was friendly. It had been discussed with the Bank Leu board, which would take a final position at its next meeting on May 10, he said. One board member, Mr Yves Oltramare, opposed to the loss of independence, resigned on Monday.

CS Holding would have a majority stake in the new holding company which would have total assets of about SFr16.4bn ($10.9bn) and SFr1.45bn in shareholders' funds. Its shares would be listed in Zurich.

Bank Leu has been struggling since its image was tarnished by its involvement in the Denis Levine insider trading case in the US and in a buyback share deal during Guinness' takeover of Distillers in the UK. Last year it closed down its New York branch.

Under a new chairman, Mr Kurt Schiltknecht, the bank appeared to be staging a recovery, reporting a 15 per cent increase to SFr53m in 1989 net earnings and a 23 per cent improvement in cash flow. However, rumours of a takeover bid have been rife for several months.

Mr Schiltknecht said discussion of the takeover had been triggered by the disclosure that CS Holding had built up a substantial stake in Bank Leu. "Rather than fight, we have talked. A defensive battle would have harmed the bank," he said. CS Holding is believed to hold more than 16 per cent of Bank Leu's capital.

Some Zurich brokers saw the possibility of a takeover battle, arguing that CS Holding's move had opened the way for another big bank to bid. But CS Holding appears to have a strong position. Mr Gut said it had already been talking with large shareholders and that he hoped to have a positive response from holders of 70 to 80 per cent of Bank Leu stock.

An important interest is held by a small group of individuals owning Adiainvest, the majority stakeholder in Adia, the Swiss employment agency which merged with Inspectorate, the international services company, last year.

This group together with clients of Lombard, Odier, the Geneva private bank, have held some 16 to 17 per cent of the capital since November, 1988. The Bank Leu board arranged the sale to ensure that stock remained in friendly hands.

Lombard, Odier has had two members on Bank Leu's board, including Mr Oltramare who resigned on Monday.

Lex, Page 20

UBS subsidiary said to agree compensation on Blue Arrow

By Richard Waters in London

UBS Phillips & Drew, the London-based securities house owned by Union Bank of Switzerland, is understood to have agreed to compensate shareholders who lost money following the controversial £837m ($1.37bn) share issue for the Blue Arrow employment agency 2½ years ago.

P&D and County NatWest, the sponsor to the issue, along with 11 individuals, face criminal charges over the way the failure of the Blue Arrow issue was not revealed to the London stock market.

Blue Arrow was attempting to raise funds for its $1.2bn takeover of Manpower, the US employment group.

The P&D move marks a reversal of its stance two months ago, when it said it would not pay any compensation until any criminal proceedings over the way the rights issue was handled had been settled.

The firm's apparent change of heart follows a concerted campaign from leading institutional investors, some of which had threatened to withdraw their business from the firm or take legal action if compensation was not paid.

A statement issued yesterday on behalf of the Institutional Shareholders' Committee, which is negotiating for compensation on behalf of more than 100 institutions, said that "constructive discussions" have taken place with P&D. As a result, "detailed proposals are being framed which, it is hoped, will lead to a satisfactory conclusion."

This is understood to be an indication that agreement on compensation has been reached in principle.

However, it is not known whether the amount of compensation has been agreed.

The National Association of Pension Funds, which issued the statement on behalf of the ISC, refused yesterday to give further details. It commented: "There should be compensation, though what the numbers are, it is too early to say."

It said that the short statement had been issued in an attempt to keep institutional shareholders informed about the progress of discussions with P&D.

P&D said earlier this year that it was unwilling to pay compensation before any criminal trial, since this might be read as an admission of guilt on its part. Yesterday's statement from the ISC stressed: "The discussions continue to be on the basis that UBS-Phillips & Drew reject legal liability.

Negotiations have been under way since the end of February between P&D and a coordinating committee of the ISC, led by Mr Donald Brydon of Barclays de Zoete Wedd Investment Management and Mr Ron Artus of Prudential Assurance.

County had offered unilaterally to compensate about 40 per cent of the investors, although it denied legal liability. The ISC also opened negotiations with County in February aimed at persuading the bank to increase its offer. Neither County nor P&D would comment yesterday on the progress of the discussions.

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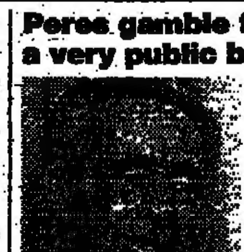
Peres gamble for power leaves a very public bad taste



Mr Shimon Peres (left) has courted the ultra-orthodox parties and dissident members of Likud to secure office for Labour. In the face of public dismay at his tactics, he argues that the end justifies the means.

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MARKETS

STERLING
New York lunchtime:
$1.63975
London:
$1.635 (1.6395)
DM2.765 (2.7725)
FFr9.2825 (9.3125)
SFr2.4475 (2.4525)
Y259.25 (258.25)
£ index 87.2 (87.4)

GOLD
New York: Comex Jun $376.2
London:
$375.25 (same)

N SEA OIL (Argus)
Brent 15-day
$16(17.075)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.68225
FFr5.6565
SFr1.4905
Y156.165
London:
DM1.6905 (1.6915)
FFr5.6775 (5.68)
SFr1.4965 (1.4955)
Y158.55(157.45)
$ index 68.6 (68.4)
Tokyo close: Y158.15

US lunchtime RATES
Fed Funds rates
3-mo Treasury Bills:
yield: 8.015%
Long Bond:
99 11/16
yield: 8.521

STOCK INDICES
FT-SE 100:
2,217.5 (-10.2)
FT Ordinary:
1,732.5 (-9.8)
FT-A All-Share:
1,099.42 (-0.6%)
New York lunchtime:
DJ Ind. Av.
2,731.98 (+9.91)
S&P Comp
342.01
Tokyo: Nikkei
29,624.68 (-773.25)

LONDON MONEY
3-month interbank:
closing 15 5/8 (15 1/8)%
Liffe long gilt future:
June 81 1/16 (81½)

EUROPEAN NEWS

Communist Party faces split, admits Gorbachev

By John Lloyd in Moscow

MR Mikhail Gorbachev, the Soviet President and Communist Party leader, admitted yesterday for the first time that the party faced the prospect of a split.

In a speech to the opening session of the 21st Congress of the Komsomol, the Communist Youth organisation, he said that an appeal from the party central committee would be published next Tuesday aimed at rallying members in the run-up to the 28th Congress in July.

Mr Gorbachev is under pressure from hardliners to expel dissident and social democratic factions from the party to avoid such an eventuality.

But he said that the appeal should not be interpreted as a call for the expulsion of dissidents, thus distancing himself from a demand by Mr Yegor Ligachev, the leading orthodox communist on the Politburo, that "revisionists" should be thrown out of the party.

Mr Ligachev said last weekend that the party had to purge all those "who preach revisionism, nationalism and social democracy...I think we cannot afford to postpone this process, otherwise a split in the party is possible".

His comments continue his recent attacks on Mr Gorbachev's leadership. He said: "In society there are forces which oppose socialism. There are also such forces in the party. The most dangerous thing is that we have allowed the party authority to weaken. This is our mistake, the main mistake of the political leadership."

Mr Gorbachev, by contrast, said that those who disagreed with party policies should leave of their own volition.

The President told the Young Communists, whose Congress is designed to subject the organisation to a profound restructuring of its own, that the presidential council would discuss the clutch of measures aimed at promoting radical economic reform this weekend.

He told them that the country was going through a "crucial, most complicated" stage, marked by the aggravation of inter-ethnic tensions, social tension and shortages of consumer goods.

● Soviet air traffic controllers have threatened a two-hour strike on April 15, the first in their history, unless the Soviet parliament responds to their demands. The All-Union Air Traffic Controllers Association has called for retirement at 50, a working week of 36 hours and higher pay. An appeal to the Supreme Soviet, made last November, has so far gone unanswered, in spite of an obligation to respond within a month, the association says.

E German cabinet a very broad church

By Leslie Colitt in East Berlin

EAST GERMANY'S newly-formed coalition Government is as heavily weighted toward pastors, lay churchmen and academics as the old Communist leadership was packed with workers-turned-functionaries.

Mr Lothar de Maizière, the Christian Democratic (CDU) Prime Minister-elect, is a permanent lay official of the Protestant Church. His Foreign Minister is a pastor, as is the Defence Minister, who is probably one of the few holders of the office to be a confirmed pacifist.

This anomaly for a country which, although nominally Protestant, does not take religion too seriously, arises out of the special role played by the Protestant Church under the Communist regime. The Church was the sole institution not dominated by the neo-Stalinist party and was the breeding ground for opposition.

Mr Markus Meckel, a small town pastor and the highest ranking Social Democrat (SPD) in the coalition, regards his new post as Foreign Minister as a "dream come true." A co-founder last autumn of the East German SPD, Mr Meckel became acting head of the party when its leader, Mr Ibrahim Böhme, resigned over charges that he was an informer for the Stasi security police.

As Foreign Minister, Mr Meckel will not have much time left in which to travel because the East German Foreign Ministry on Marx-Engels Platz will vanish after German unification.

Pastor Ebling (left) and Pastor Meckel (right), East Germany's Development Aid and Foreign ministers, with PM-elect Lothar de Maizière, a lay official of the Protestant Church.

Mr Rainer Eppelmann, the new Minister of Defence and Disarmament, appears to be the ideal person to oversee the dismantling of the once-vaunted East German armed forces which are already in an advanced state of dissolution.

A bricklayer by trade, Mr Eppelmann spent eight months in prison in the early 1960s for rejecting military service. He was one of the most outspoken East German pastors throughout the 1980s when his Samaritan Church in East Berlin became a centre of the unofficial peace and human rights movement.

But unlike many of the young people whom he protected and who are now active in leftist citizens' initiatives, Pastor Eppelmann co-founded the conservative Democratic Awakening party last autumn. He rose to head the party after the resignation of Mr Wolfgang Schnur, a long-time Stasi informer.

The most controversial pastor in the cabinet is Mr Hans-Wilhelm Ebeling, the ambitious head of the ultra-conservative German Social Union (DSU), which is allied with the CDU. Mr Ebeling, whom fellow pastors accuse of having closed his Thomas Church in Leipzig to demonstrators last autumn, had his eye on the Interior Ministry, but has instead been chosen as Minister for Development Aid, a lesser post in a debt-ridden East Germany.

The new cabinet is also replete with holders of academic doctors' degrees such as the respected Dr Walter Romberg, the new SPD Finance Minister who is both a mathematician and a church layman, as well as Dr Peter-Michael Diestel, a collective farm lawyer who takes over the Interior Ministry.

Pöhl warns on cost of East Mark generosity

By David Goodhart in Bonn

MR Karl Otto Pöhl, president of the Bundesbank, has warned that neither the central bank nor the West German Government will want to pick up the bill from an over-generous conversion of East Marks into D-Marks which could leave a DM50bn-DM100bn 'hole' in the East German banking system.

Mr Pöhl asked who would pay the difference if the debts of the East German corporate sector and the housing system, together about 400bn East Marks, were converted at two to one, but cash and savings deposits at one to one.

He said: "It is questionable whether the Federal Republic is ready to take over an enormous part of the domestic debt of East Germany and pay the interest on it."

The spring report of West Germany's five economic institutes takes a slightly different line and toys with the idea of writing off the corporate sector's debt. If such a write-off was accompanied with a one to one conversion for savings it would require an injection of DM170bn and if the conversion was two to one it would cost DM70bn.

If the transitional East German government could raise such money it would cost DM15bn a year (at one to one) or DM8bn a year (at one to two) in debt service. However the institutes believe that the East German public sector deficit will also benefit from reduced subsidy payments and receipts of DM15bn to DM20bn a year from privatisation, and that public spending could soon be reduced to 85 per cent of GNP.

Mr Pöhl, however, says that the public sector deficit in 1990 will be 40bn to 50bn East Marks, excluding extra costs arising from currency union, and that this will be difficult to finance. "The Bundesbank will not finance public spending and the (East German) government's access to the capital markets will be limited," he said.

He also raised the question of who pays East Germany's foreign debt of DM40bn-DM50bn. The East Germans on the joint currency commission proposed that the Bundesbank takes over the foreign debt but Bundesbank representatives have argued it is against the rules which govern the bank. The Finance Ministry in Bonn will probably have to carry the burden.

Mr Pöhl strongly supported the idea that East German citizens should benefit from privatisation through shares to be held in trust.

Slovenia moves closer to break

By Laura Silber in Ljubljana

YUGOSLAVIA'S northern republic of Slovenia yesterday moved closer towards independence after Demos, the opposition coalition, won an absolute majority in Sunday's elections.

Despite its sweeping success, however, it is widely believed the coalition's broad-based nature, ranging from the Peasant Party to the Green Party, will make any long-term stable government or co-operation difficult.

With nearly half the votes counted by yesterday evening, Demos had won 55 per cent in the first multi-party elections in Yugoslavia since before World War II.

Slovenia's Christian Democrats led in the Demos coalition with 13.2 per cent of the vote.

The strong showing of the seven-party opposition grouping reflects the popular mood for Slovenia to be released from a crisis-ridden Yugoslav federation which has been plagued with ethnic tensions, growing unemployment and a surge of nationalist discontent.

Mr Joze Pucnik, Demos' presidential candidate, says he plans to call a republic-wide referendum to decide if Slovenia should be independent.

The former communists, the Party for Democratic Renewal (LCS-PDR), who have advocated autonomy but not fully-fledged independence, except if pushed by popular pressure, surprised observers by coming in second with 17.3 per cent.

But any thought that it might form an opposition alliance with the Liberals, who won 15.5 per cent of the vote, was yesterday ruled out by the latter, who remain one of the few non-nationalist opposition parties in Slovenia, and who are the successors to the radical communist Youth Organisation.

In the race for the presidency, Mr Milan Kucan, the popular LCS-PDR presidential candidate, won 44 per cent in the final vote, but failed to get an absolute majority. He now faces Mr Pucnik in a run-off on April 22.

However, LCS-PDR members are concerned that in the second round, the votes for Mr Kucan's opponent, Mr Ivan Kramburger, a millionaire, may go to Mr Pucnik.

Superpowers discuss chemical weapons

US AND SOVIET negotiators met yesterday to prepare an agreement on destroying chemical weapons to be signed when the US and Soviet presidents meet at the end of May, Reuter reports from Geneva.

Following a decision taken by US Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze in Moscow last February, the two sides hope to draft an agreement to reduce their chemical weapons stocks to 5,000 tonnes each.

"We hope that by the end of this round there will be no problems," chief US negotiator Stephen Ledogar said, adding that if disagreements did remain Mr Baker and Mr Shevardnadze could deal with them in talks in Moscow in mid-May.

The talks are likely to last about two and a half weeks.

Presidents George Bush and Mikhail Gorbachev hope to remove remaining obstacles to a Strategic Arms Reduction Talks (START) treaty at their May 30-June 3 meeting and sign agreements on limiting nuclear tests in addition to the poison gas accord.

The superpowers hold more chemical weapons than any other nation. Mr Ledogar said he hoped destroying most of their poison gas would speed protracted UN-sponsored talks on banning all chemical weapons worldwide.

The ambassadors, shortly before starting discussions, said the two most important areas of disagreement were on when production should stop and destruction begin.

Moscow no longer makes chemical weapons while the US has continued in order to modernise its stocks with binary weapons, considered safer because the gases become lethal only when two components are combined.

Walesa to run for Polish presidency

By Our Foreign Staff

MR Lech Walesa, Poland's Solidarity leader, will run against President Wojciech Jaruzelski for the presidency, he announced yesterday, Reuter reports from Warsaw.

Earlier, Mr Krzysztof Pusz, Mr Walesa's chief of staff, had said the Solidarity leader was ready to force President Jaruzelski to quit and take over the presidency himself.

●The Gdansk shipyard where the Solidarity trade union was founded will be sold under new rules for creating private firms from state-owned enterprises, AP adds.

Bonn told to scrap heavy truck tax

THE European Community's executive said yesterday it would take West Germany to court unless Bonn scrapped a controversial new tax on heavy trucks, Reuter reports frm Brussels.

The EC Commission said it sent a letter giving the government three weeks to justify the tax. If the response is not acceptable, the Brussels-based commission will press on with legal action before the European Court of Justice.

The West German parliament last month decided all heavy trucks using West German highways should pay tolls of from 1,000 to 9,000Dm ($600 to $5,400) a year from July.

West German truck drivers, however, will be allowed to offset the levy against their annual road tax. EC states such as the Netherlands, which have agreed to a barrier-free road transport market with Belgium and Luxembourg, are up in arms over the plan.

Brussels said it did not object to reasonable levies but said they should not put other member states at a competitive disadvantage.

Haughey expects summit to set up group on political union

By David Buchan in Brussels

EUROPEAN Community leaders will set up a high-level group to study political union at their Dublin summit later this month, Mr Charles Haughey, the Irish Prime Minister and current EC president, forecast yesterday.

After meeting Mr Wilfried Martens, his Belgian counterpart, he said the most likely outcome of political discussion on April 28 was the creation of another "Dooge committee" which could pave the way for a second intergovernmental conference (IGC) on moves towards political unity. The EC is already committed to its first IGC, on monetary union, starting in December.

The original Dooge committee, set up in 1984 under the chairmanship of Senator James Dooge, a former Irish foreign minister, called for extended majority voting in the EC and set in train the 1985-86 negotiation of the Single European Act.

The idea for another such grouping has been percolating through the minds of federally-inclined EC leaders, and Mr Haughey said there was "a general mood that the Community should get on fairly quickly with deepening its integration". He has consulted half his counterparts, including the leaders of West Germany, France and Italy.

The Irish premier, who will chair the Dublin meeting, said that the high-level group would be composed of personal representatives of EC leaders.

He declined to take for granted opposition from Mrs Margaret Thatcher, whom he will see next week in the course of his pre-summit consultations. "I would not like to contemplate going ahead without her", he said. But he added: "I've seen her agree to certain conclusions of which she did not approve, for the sake of consensus", and cited her acquiescence last December in the calling of an IGC on monetary union.

The concept of "political union" is, at this stage, less absolute than monetary union. So far the main plan that Mr Haughey said would be laid before a new Dooge committee is that of the Belgian Government. This calls for stronger powers for the European Parliament and Commission – and for closer security co-operation in a way that could cause neutral Ireland problems – rather than the straight federalist structure which the Delors plan envisages in the monetary field.

EC central bank governors will appoint a team of experts next month to help prepare the way for economic and monetary union, Mr Karl Otto Pöhl, Bundesbank president, said yesterday, Reuter reports from Basle. Speaking after a BIS monthly meeting, he said the five or six economists would start work on July 1.

Mr Henning Christophersen, Commissioner for Monetary Affairs, attended the meeting. Mr Pöhl said work on preparing statutes for a European central bank was just beginning, and no decisions were likely before the end of this year.

Bahamas-registered disaster ferry passed recent safety test

The use of flags of convenience has little bearing on standards, reports Kevin Brown

THE loss of the Danish ferry Scandinavian Star, with the deaths of at least 176 passengers, has lent weight to a longstanding campaign by maritime trade unions for a ban on the use of flags of convenience by passenger ships.

But as the official inquiry into the disaster gets under way in Copenhagen this morning, there appears to be little evidence that this practice poses a significant threat to the safety of European shipping.

The Scandinavian Star was owned by a Danish company, but registered in the Bahamas, one of several countries which operate registers open to shipowners not domiciled in the host country.

These flags of convenience – properly called open registers – are most attractive to North European, North American and Japanese shipowners, who use them to escape the high costs of operating under the flags of their own countries.

The main attraction of open registers is the ability to use seafarers from poor Asian countries, with a consequent saving in labour costs. They are disliked by the maritime trade unions in the developed countries because it is their members who lose their jobs when ships are re-registered.

The unions claim the qualifications of open register seafarers are not as good as those of seafarers employed under the traditional maritime flags, and that safety standards are lower because of laxity in checking and maintaining equipment and emergency procedures.

But the contention that open registers are unsafe is undermined by figures produced recently by the Institute of London Underwriters, which showed that some of the safest fleets afloat are flying flags of convenience.

The Institute found that the average loss ratio – the number of ships lost relative to the size of fleet – of 36 of the world's biggest fleets was 0.29 per cent in the period 1984 to 1988.

Three open registers had above average loss ratios – Cyprus on 0.6 per cent, the Philippines on 0.58 per cent, and Panama on 0.54 per cent. But three others were below average – the Bahamas and Liberia on 0.19 per cent, and Bermuda on 0.02 per cent.

The ratio for the Bahamas – where the Scandinavian Star was registered – was exactly the same as that for the US.

The figures confirm that the key issue for safety at sea is not the flag, but the enforcement of international regulations by the flag authorities. This falls into two parts.

● The structural integrity of the hull and equipment of ships is tested by independent inspection organisations, known as classification societies.

The societies fall into two groups: half a dozen in Europe, North America and Japan whose standards and integrity are unimpeachable; and around 40 elsewhere whose standards vary considerably.

● Fire fighting, communications and lifesaving equipment, together with associated emergency procedures and crew training, is covered by various conventions of the International Maritime Organisation, principally the 1974 Safety of Life at Sea (Solas) convention. Flag authorities can either carry this out themselves or delegate the job to one of the classification societies.

Problems can arise if the flag authority sub-contracts this job to one of the newer classification societies in the Far East. However, the Bahamas uses only reputable societies in Europe and North America.

In the case of the Scandinavian Star, both groups of tests were carried out by Lloyd's Register, the oldest and most prestigious of the classification societies, which issued a Passengership Safety Certificate on behalf of the Bahamas register on January 19.

The ship was further inspected by Lloyd's Register in February as part of a special survey carried out every five years, and was also inspected for Solas conformity by the US Coastguard, which issued a Verification Control Certificate on February 5, allowing the ship to carry US passengers.

Mr Garry Beaumont, chief ship surveyor for Lloyd's Register, points out that the checks carried out by the society on open register ships are exactly the same as those on ships flying the flags of the traditional maritime countries such as the UK or US.

In any case, the number of passenger ferries operating under flags of convenience in European waters is very small.

The International Transport Workers Federation said it was aware of only six, while figures produced by Lloyd's Maritime Information Services for Lloyd's List, the specialist shipping newspaper, identified 12, all flying the Bahamas flag.

The cause of the Scandinavian Star accident is for the Danish inquiry to determine, together with a joint commission set up to review general safety standards by Denmark, Sweden and Norway.

Both inquiries will want to consider whether the behaviour of the classification and registry authorities contributed to the disaster. But neither is likely to conclude that flag of convenience ships are inherently unsafe.

EUROPEAN NEWS

Code to protect Credit card owners proposed

By Lucy Kellaway in Brussels

THE BIG European banks and credit card companies have drawn up a voluntary code of conduct to protect the owners of lost or stolen credit cards. Their action is a desperate attempt to forestall a Commission initiative to introduce a legally binding set of rules.

However, some Commission officials think the voluntary code does not provide enough protection. According to one, it could make a consumer liable for loss in nearly all normal situations when a card is mislaid or stolen.

Particularly worrying was a clause under which the cardholder is obliged to "take the necessary measures to immediately become aware of the circumstance (of the theft, loss), and to demonstrate that he took such measures".

The Commission has been considering the introduction of binding rules for several years, to bring the EC into line with the system operating in the US. However, an earlier attempt to introduce a directive eventually emerged in 1988 as a recommendation, after lobbying by the industry, which argued that it would be inappropriate to set firm rules when the technology was changing.

It was agreed that the voluntary system would be reviewed after a year.

The largest companies – which lose several hundred million pounds a year through card fraud and theft – have systems of their own at least as strong as that proposed by the Commission. However, Brussels is concerned about the standards followed by many retailers, which are issuing credit cards in increasing numbers. Consumers in some of the EC's smaller countries like Belgium are felt to be receiving inadequate protection.

The guidelines, which were issued by the EC Banking Federation, the Association of Co-operative Banks of the EC and the European Savings Banks Group, are designed to cover cards for cash withdrawal and electronic payment in shops, as well as credit cards. They provide for the "sharing of responsibility" between issuers and holders to cover loss, and aim to strike a balance between protecting the consumer and competition within the sector.

Under the code, the consumer would be partly responsible for any loss up to the moment at which the theft was reported, after which the issuer would be responsible.

However, the Commission's consumer services directorate feels too many obligations are being place on the consumer. The Commission will decide shortly whether to press ahead with plans for a regulation.

Commission clears Italy steel aid

By Lucy Kellaway

THE European Commission yesterday approved payment of Ecu2bn (£1.5bn) of state aid to the Italian steel sector, in response to signs that restructuring is going ahead.

Approval had been withheld for over a year because the Government refused to abide by an earlier decision to close the Bagnoli plant. Agreement on a date for closure was reached last December, and the Commission promised to approve the first slice of the Ecu3.3bn total aid once it was confident that restructuring was proceeding as planned.

The money will be paid to Ilva, the new Italian company set up to house Finsider, the indebted and lossmaking state-owned steel company, now in liquidation.

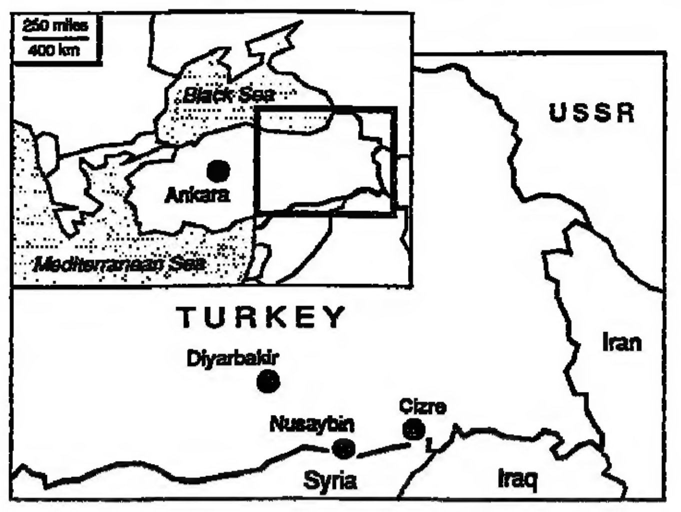
The Commission noted that certain plants had closed on schedule, other parts of the business had been privatised and Ilva's financial structure was in line with agreements.

Italy had justified postponing closure on the grounds that the steel market was strong enough not to need it.

Brussels has also dropped its opposition to a government injection of funds into Dalmine, an Ilva, because other investors had also put in capital on the same terms.

Turks ponder the price of Kurdish revolt

A sullen defiance against Ankara is spreading to the towns, writes **Jim Bodgener**



INTIFADAH. The word hung heavy with menace in the parlour of Mr Muslum Yildirim, mayor of Nusaybin, a town hard up against the Syrian border in Turkey's troubled Kurdish south-east.

A full-scale revolt has not yet broken out, but frustration born of years of neglect is coming to a head in the region where at least 1,500 people have died since August 1984 in the insurgency by the Marxist, separatist Kurdish Workers Party (PKK).

"We don't want a seperate state," said Mr Yildirim. "But we want the same rights now as the Turks. We don't want to be treated as second-class citizens anymore."

Although the problem is largely economic, the root of the conflict lies in the Turkish state's denial of a separate identity to the Kurds. That even means that publications and music can be purchased in any language in Turkey except Kurdish.

But a new defiance has emerged in Kurdish areas. The turning point came in mid-March, when mourners demanding the body of a PKK guerrilla in Nusaybin were fired on by a special police team who killed one youth.

The shockwaves travelled down the Silk Road to another border town, Cizre, where four protesters were killed. A second demonstration in Cizre a few days later was given free reign to rampage through its streets. In towns throughout the area, including the regional capital Diyarbakir, shop shutters have since come down in mute, day-long protests ordered by the the PKK.

A special cabinet session presided over by President Turgut Ozal on Monday night doubled sentences for convicted PKK supporters and introduced strict curbs on the press. Earlier the same day, the death toll was released for the largest clash so far this year, in which 21 guerrillas and 15 others died in Hakkari province.

The government has tried to explain away the protesters as ignorant peasants and townsfolk led astray by PKK and leftist extremists supported from abroad. Officials in Ankara maintain that the PKK insurgency would collapse if its foreign support – mainly from Syria – was removed.

That is unlikely with the coolness in relations with Iraq and Syria – main entry points for the guerrillas – because of Turkey's staunching of the Euphrates river for a month early this year to fill the Ataturk dam.

The huge embankment project is the centrepiece of the $6bn south-east Anatolian (GAP) development programme, a belated and perhaps over-ambitious exercise to narrow the economic gap between east and west Turkey. On Monday, the Government also announced that 90,000 new jobs would be created in the region. But all this may be too late.

Syrian support for the PKK has moderated since a border security agreement was reached in 1987, but the guerrillas still train in the Syrian-controlled Bekaa Valley in Lebanon. Their main infiltration route is across the mountainous border – impossible to seal – between Turkey and Iraq. This winter, they have been using summer bivouacs vacated by the Iraqi army in the 30-km cordon sanitaire it has cleared against *peshmergas* (those who fight till death) of the Kurdish Democratic Party (KDP) fighting against Baghdad.

Renewal of a Turkish-Iraqi "hot-pursuit" agreement, which lapsed in 1988, has not been agreed. On the Turkish side remain the camps of about 30,000 Iraqi Kurdish refugees from the Iraqi army's blitzkrieg against the *peshmergas* in the autumn of 1988.

Turkish opposition leaders seemed more interested in using the south-east during an extraordinary summit on terrorism with President Ozal in late March as leverage for early general elections in the face of the ruling Motherland Party's (ANAP's) deep electoral unpopularity.

Neither the leadership of the main opposition Social Democratic Populist Party (SHP) nor former premier Mr Suleyman Demirel of the True Path Party is interested in meeting Kurdish aspirations. At the local level, party organisations are embedded in the establishment; the young turn to the PKK as the only alternative in a Robin Hood-like tradition of outlaws fighting against state repression.

Tribal and clan loyalties still determine allegiance to state or PKK in remote rural areas. In the most recent clash, security forces were reportedly supported by around 1,000 Jirki tribesmen with a blood feud against the PKK. But while the PKK is being contained in the mountains, Kurdish sentiment is gathering explosively on the plains.

Traditional allegiances have broken down in the towns and cities, where they have been interwoven with establishment lines of patronage. Both the populations of Cizre and Nusaybin have nearly doubled to 70,000 and 90,000 respectively because of an influx of peasants caught in a forced rural-urban migration throughout the region.

Brussels earmarks Ecu250m to help develop broadcasting

By Lucy Kellaway

AN Ecu250m (£184m) budget to rescue the Community's broadcasting industries from permanent underdevelopment was announced yesterday by the European Commission.

The money, to be spent over five years, will cover training, use of new technologies, pre-production costs and distribution, and help encourage a secondary market in old films and programmes.

The Commission is still sensitive to the criticism that followed its "television without frontiers" directive last year and is trying to show that it is helping the industry in a positive way. That directive allowed for countries to set minimum levels of EC-produced programmes on their television channels and was taken in the US as a sign of the Community's cultural imperialism.

The audiovisual sector is seen as one of the most important and fastest growing in the Community, and is expected to expand from Ecu25bn this year to Ecu35bn by the turn of the century.

But the Commission presented a grim account of the state of the European industry, which is losing out both to the US and Japan. The market remains almost exclusively national: some 90 per cent of productions are seen only in the country in which they are made, resulting in costs being too high and companies too small to take on the financial risks that are increasingly necessary.

Abolition of duty-free sales will hit air fares

By Paul Abrahams

ABOLISHING duty- and tax-free sales within the EC after the creation of a single European market will mean not only the end of cheaper holiday drink, but also an increase in air fares and holiday costs, according to a report by Coopers & Lybrand Deloitte, the management consultants.

The report, prepared for the Brussels-based International Civil Airports Association, estimates the EC air transport industry stands to lose Ecu 1bn (£740m) when intra-EC duty-free sales are abolished.

The study, which questioned more than 200 European airports, states that airport authorities stand to lose profits of Ecu 250m at 1988 levels. Additional costs will also be created by the need to alter the layout of terminals.

The loss of revenue and increased costs at airports are likely to be recovered by increased aircraft handling fees.

The report argues that the way these extra charges are distributed will cause considerable problems. Non-EC carriers will be reluctant to bear the additional costs because they will still be carrying passengers able to buy duty-free goods. EC airlines will argue that their passengers, who will no longer need to pass through customs and passport facilities on internal Community flights, will use fewer airport resources.

Airport landing and passenger charges are likely to increase by an average 14 per cent, if the loss of income is shared equally between all airlines.

Ticket prices are likely to rise on scheduled flights by 2.3 per cent. Prices on charter flights will increase by 4.2 to 6.6 per cent, forcing up the cost of tour operator holidays by between 1.5 per cent and 2.3 per cent. The measure would increase pressure on European charter companies' margins. Many have only made money in recent years because of duty-free sales.

Lyons sends its traffic problems underground

By William Dawkins in Paris

LYONS, France's second city, is to spend FFr2.3bn (£247m) on a motorway, tunnel, and viaduct crossing to ease traffic jams in the city centre.

The 10km motorway will be built by Bouygues, the leading French construction group, which will receive a 35-year concession to operate the road and charge motorists a toll, likely to be between FFr4 and FFr8 per journey.

The project, which is due to open in October 1994, was given the green light by Lyons city authorities just as Paris is in the final stages of assessing an ambitious underground motorway network of its own.

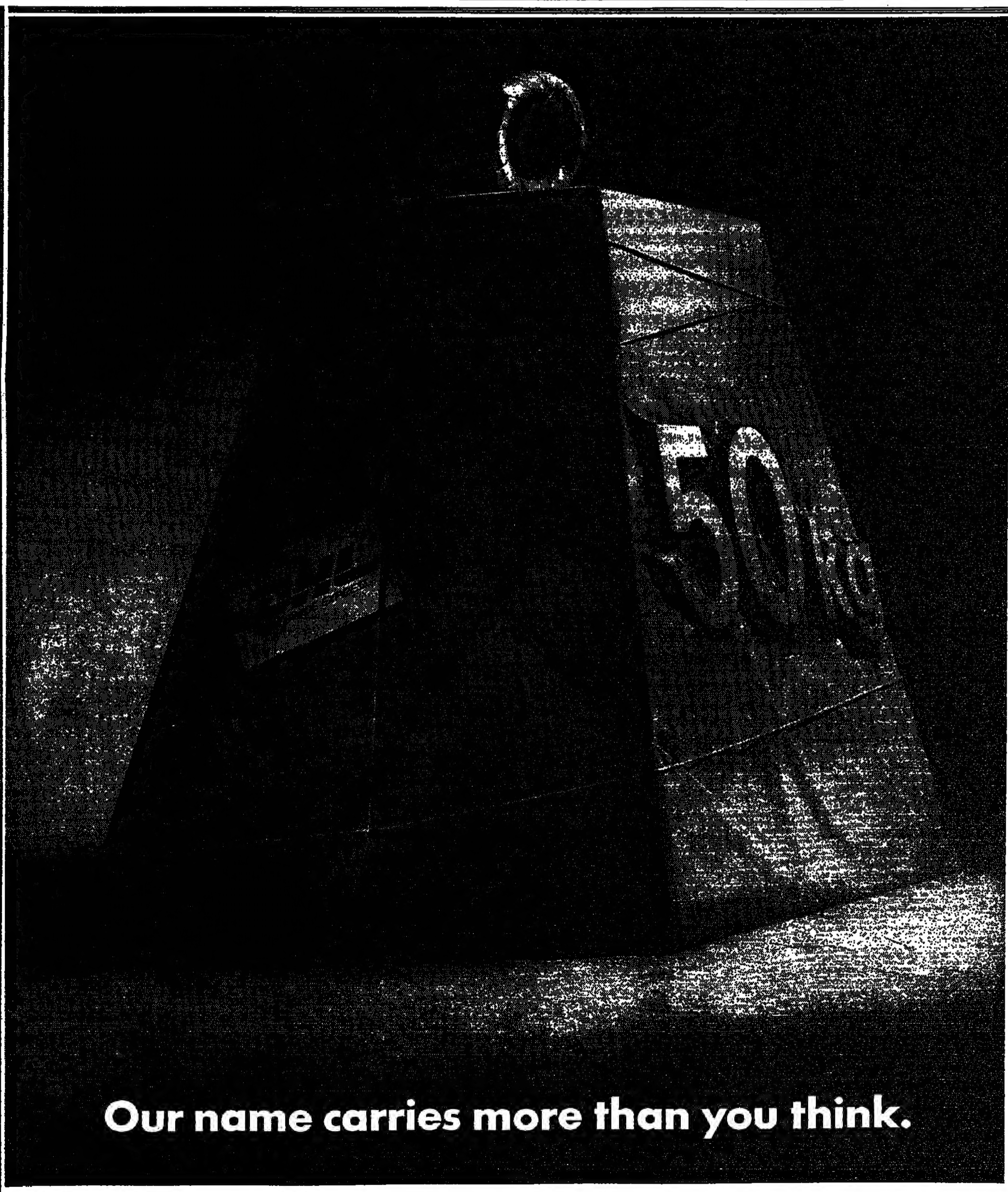
The Lyons scheme will link the city's northern and western suburbs via three tunnels, one of which will pass under the river Saône, and a viaduct.

Bouygues won the contract in competition with GTM-Dumez, another construction group. The two, and a subsidiary of Usinor Sacilor, the state-owned steelmaker, are all competing for the Paris network, which could – depending on which plan is adopted – include up to 50km of tunnels to be built over the next 10 years and cost up to FFr22bn.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolletstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.



US hard line may affect success of drug summit

By Robert Graham

WIDELY differing approaches to tackling demand for illicit drugs emerged yesterday during the second day of the world ministerial drugs summit in London, underlining the problems of achieving a co-ordinated international response.

It also became clear that none of the 112 delegations represented had firm data on the extent of cocaine use worldwide, the drug seen by the conference as the main threat

The opposing views on dealing with demand were highlighted by the Dutch and US delegations. The Netherlands argued for a pragmatic policy of self control and social control with limited emphasis on law enforcement. But the US championed a strong element of legal measures accompanied by greater "user accountability", whereby the individual is penalised.

Members of the US delegation at the conference in London

Although the US regards the Netherlands policy with extreme caution, pointing out the country's large drug transit traffic, the Dutch approach is being studied with growing interest in Europe.

Dr Eddy Englesman, head of drugs at the Netherlands Ministry of Health and Welfare, told the conference: "Criminal law and its enforcement are meant to reduce the supply of drugs, not to criminalise use. The Dutch prefer a policy of social control, adaptation and integration to a policy of social exclusion through criminalisation, *punishment and stigmatisation.*'

Dr Englesman later told a press conference that official tolerance of marijuana had not led to increased use. In the age group up to 19 years studies showed 2 per cent used cannabis the previous month: the figures were higher in the US.

In contrast, Mr Louis Sullivan, US Secretary of Health, warned: "Our tolerance for drugs in the past has unleashed forces of unimaginable violence and hatred. The destruction is obvious to us all now – we have seen it felt it, loathed it." He insisted that drugs were not "a victimless crime". US policy to reduce demand, he said, had to be waged on two fronts: "We must *create a climate of responsibility* and we must strengthen and reinforce the appropriate research, prevention and treatment efforts to sustain public disapprobation of drugs."

Another American delegate, Dr Herbert Kleber, maintained that his government's policies had led to a reduction in the casual demand for drugs since 1985, although overall demand had risen. The cornerstone of the Bush Administration was the concept of "user accountability". In the case of the business world this entailed drug testing of employees and holding them accountable "by imposing drug treatment and possible termination of employment upon discovery of drug use".

The United Nations, co-sponsor of the conference with the UK, is hoping that these differing views on reducing demand will stimulate the debate. But they are likely to to dilute today's final declaration.

Fault delays Shuttle telescope mission

A last-minute technical hitch forced the postponement yesterday of the aunch of the shuttle Discovery on a mission to lift a giant telescope into space that will help man probe the origins of the universe, Reuter reports from Cape Canaveral.

A fault in an auxiliary power *unit halted the countdown four* minutes before blast off. The launch will be delayed at least a week and possibly two.

Astronomers have waited years to see the Hubble Space Telescope put into orbit 380 miles above Earth.

Astronomers expect the $3.1bn telescope, by far the world's most sophisticated, to reveal information about the origins of the universe, locate other planetary systems and *search for signs of other life.*

The launch is regarded by astronomers as the most exciting event since Galileo peered at the stars through the first telescope.

The telescope can detect objects 50 times fainter and with 10 times more clarity than the best ground-based telescopes.

Scientists hope that it will enable them to look back 14 billion years in the universe's *history – possible because* light that left distant stars billions of years ago is only now reaching Earth.

Chile is benchmark for Latin America

Leslie Crawford reports on one of the world leaders in selling off state assets

CHILE, under military rule, went further and faster in its privatisation drive than any other country in Latin America. And for institutions like the IMF, trying to coax other developing nations to take the same path, Chile became the foremost example of a country that successfully cut back the size of the state while encouraging the private sector to become the main engine of economic growth.

The motives behind General Augusto Pinochet's economic revolution had as much to do with politics as with his concern to balance the government's books. He was convinced that a strong economy based on private enterprise was the best guarantee against another Marxist government, such as the one he deposed in 1973. The neo-liberal economic theories in vogue in Britain and the United States suited him to an admirable degree.

Despite some harsh criticism levied against Gen Pinochet's final spate of privatisations, the new civilian Government that took office on March 11 has decided to leave well alone. It has, however, put the privatisation crusade in cold storage. In theory, all state sell-offs since 1985 are up for review, but Mr Rene Abeliuk, the new chief of the state development holding company, CORFO, says President Patricio Aylwin's Government has no desire to re-expropriate. Legal action will only be taken if irregularities are found.

Mr Abeliuk's main criticisms are that most of the privatisations were done behind closed doors and with little "transparency", or public discussion, and that the haste to shed public assets led to lower sale prices.

He also believes the military regime made a basic mistake on public finance. He claims that many, if not most, of the public companies earned profits and provided a continuing source of revenue for the Treasury. Now that they have been sold off and the income from the sales already spent – in part to subsidise tax reductions in the last few years – the new Government is being forced to raise taxes to finance social projects.

The breadth of the privatisations in Chile would leave even some of Mrs Thatcher's divestiture zealots feeling like failures. In fact, one independent study covering the period until September 1988 concluded that, taking into account the relative sizes of both economies, Chile had transferred twice the value of state assets to the private sector than Britain, and in half the time.

UNBUNDLING THE STATE

During Gen Pinochet's 16-year rule, the Government earned $3.4bn from privatisations and reduced the state's share of the Chilean economy by one-third. However, the public sector in Chile still accounts for 40 per cent of GDP. The military regime's privatisation drive took place in three distinct stages. Between 1973-74, the government privatised some 350 companies expropriated under the Socialist government of President Salvador Allende, reaping $1bn in the process. From 1975 to 1982, CORFO led a second wave of sell-offs, privatising 135 companies and 16 banks, many acquired during a period of business collapse in the late 1970s when the Chilean market opened internationally. That brought in another $1bn.

But the final phase between 1985 and 1989 was by far the most significant, both in terms of its financial importance and the nature of the companies that were privatised.

Chile broke with a nationalist tradition in Latin America that places certain economic activities of "strategic interest" under state control (an ever-expanding category) and proceeded to redefine the kind of things the state should or should not be involved in.

The glaring exception to this rule is Codelco, Chile's (and the world's) largest copper producer.

It is the country's biggest export earner ($3.6bn in 1989) and source of taxes. Nevertheless, Chile's privatisation experiment has set a bench*mark for* the rest of the continent in what can be privatised and how it should be done.

Long before the bulk of the public sector companies were offered for sale, the military Government had transformed them into attractive investment opportunities by raising service tariffs, cutting subsidies and, in some cases, enforcing massive lay-offs.

Secondly, Chile's foreign investment code, the most liberal in Latin America, encouraged multinationals to bid for the Chilean companies up for grabs. Bond International bought a controlling stake in the Chilean telephone company CTC in 1987, and has just sold it at a handsome profit to Spain's Telefonica.

Similarly, the Scandinavian airline, SAS, is currently negotiating the purchase of a 30 per cent stake in Lan-Chile, the national flag carrier, privatised last year.

This is the seventh article in a series on privatisation. Previous articles appeared on the foreign pages on February 28, March 6, 13, 23, 29 and April 4.

EC plans boost in its aid for central America

THE European Community, eager to show that its support for reforming east European states does not mean less cash for other developing regions, plans to boost its aid to central America by half, Reuter reports from Dublin.

The EC's Commissioner for Latin America, Mr Abel Matutes, said yesterday that the European Commission was earmarking the extra funds for the region over the next two years.

"We plan an increase in funding in the order of 50 to 60 per cent, which demonstrates that events in Eastern Europe have in no way prejudiced our obligations to the rest of the world," Mr Matutes said. He was speaking at the end of a two-day meeting of ministers from the two regions.

The EC's aid to central America currently amounts to about $120m a year.

Thatcher at bay in Bermuda talks

Peter Riddell reports on how Bush may reassess relations with UK

THE MOST important question at this Friday's Bermuda meeting between President George Bush and Mrs Margaret Thatcher will be unspoken.

Will the US treat her and Britain differently in view of the Tories' domestic political problems? Will Mr Bush begin distancing himself from Mrs Thatcher and treat her as a lame duck?

There is no sign of this so far in Washington. Indeed, there have been suggestions that Mr Bush wants to do what he can to help Mrs Thatcher.

The pictures of the central London riot and the prison disturbances have made a big impact in the US. Policymakers are mainly puzzled by what is going on in Britain, and seeking enlightenment wherever they can find it.

They are asking whether Mrs Thatcher can survive? But they have not yet moved on to conclude that she cannot – and have only begun to wonder what might come after her.

So identified has Mrs Thatcher become with Britain over the past decade that any successor will have a difficult task in avoiding an exaggerated reaction – a belief, however crude, that it is back to the bad old days of the 1970s. This could affect the beliefs and decisions of business investors as well as politicians. Hardly anyone in the US has the faintest clue who Mr Michael Heseltine is or what a *Labour government would do.*

Typical is the attitude of Mr Clayton Williams, the cowboy/businessman Republican candidate for Governor of Texas, who when asked recently about Mrs Thatcher said: "The Iron Lady, you bet. She's done great things for Britain. I'm a great fan," before going on to compare her with Winston Churchill and *Ronald Reagan.*

Mrs Thatcher assured American television viewers yesterday that she was not a lame duck, Lionel Barber writes from Washington. Two days before she flies to Bermuda to meet President Bush, Mrs Thatcher made light of the domestic unrest and the sharp drop in her popularity. She hoped her Government would survive and win the next election.

"Not many people call me a lame duck," she told NBC breakfast television who interviewed her at the London drug conference, "usually I'm doing too much."

"Look at the record. It has produced a much better, more prosperous Britain, a much more influential Britain, a Britain no longer in decline but in the ascendancy again."

Asked about recent rioting in London and the unrest in British prisons, Mrs Thatcher blamed left-wing agitators and a pattern of imitation. "We are never intimidated, never," she declared.

Since Mr Bush became President there has undoubtedly been a change in US/British relations. Correction might be a more accurate term since relations were unsustainably close during the Reagan era because of the former president's personal liking for Mrs Thatcher.

Britain was, to some extent, the US's interlocutor with Europe. This was bound to change, with greater attention being given to Bonn and Paris.

At the same time, the general focus has shifted to Germany – first with last spring's argument over short-range missiles and then since November over unification. Partly for these reasons, and partly because of his long experience, Mr Hans-Dietrich Genscher, the West German Foreign Minister, has become the pivotal European colleague for Mr James Baker, the Secretary of State.

By temperament Mr Baker is a deal-maker and therefore gets on well with Mr Genscher. *But Mr Baker is by no means a* fan of the more ideological Mrs Thatcher, and it is not just Continental Europeans she irritates with her tendency to lecture.

Britain has also suffered from having three foreign secretaries in the past year.

It is, however, misleading to conclude from the inevitable focus on Bonn that Mr Baker and his advisers are somehow anti-British and pro-German. British/US relations remain close at a working level, as they have been since the 1940s.

There are few differences of substance between the US and Britain at present – apart from longstanding ones such as Hong Kong, over which there is in effect an agreement to disagree.

The problems which emerged earlier this year when Mrs Thatcher outspokenly expressed her reservations about the pace of German unification have now largely disappeared.

She has been more supportive publicly of what is happening in Germany following the creation of the two-plus-four framework (the two Germanys plus the wartime allies) for discussing unification and Chancellor Helmut Kohl's more explicit assurances about the Polish border.

While there are obvious problems ahead, such as over the scale of forces stationed in Germany and nuclear weapons policy, these are not immediate.

Over the Lithuanian crisis, President Bush has apparently valued Mrs Thatcher's support *and insights.* The White House specifically referred to her telephone conversation with Mr Gorbachev as an influence on the president's letter to the Soviet leader at the end of last month.

More important in Bermuda may be questions of mood – how Mr Bush assesses her, and how domestic political pressures affect her behaviour, not only with the President but also with the assembled press.

While there is considerable interest in Washington in observing Mrs Thatcher at bay – a great subject for a 19th-century epic painter – there is the inescapable feeling that Britain is now, along with France, a second-rank European power. And one that is at best a somewhat reluctant participant in the great events under way in Europe today.

Argentine inflation 'has peaked'

By Gary Mead in Buenos Aires

ARGENTINA's retail price inflation for March reached 95.5 per cent, bringing accumulated inflation for the last 12 months to 20,266 per cent.

However, government officials who announced the latest figures on Monday evening suggested that the country's recent hyper-inflationary burst is now in the past, and they forecast that April's figure could be lower than 20 per cent.

At the same time the Government announced a further increase in fuel prices. The 25 per cent average increase in petrol and diesel is an attempt to increase revenues at a crucial stage in Argentina's negotiations with the International Monetary Fund (IMF).

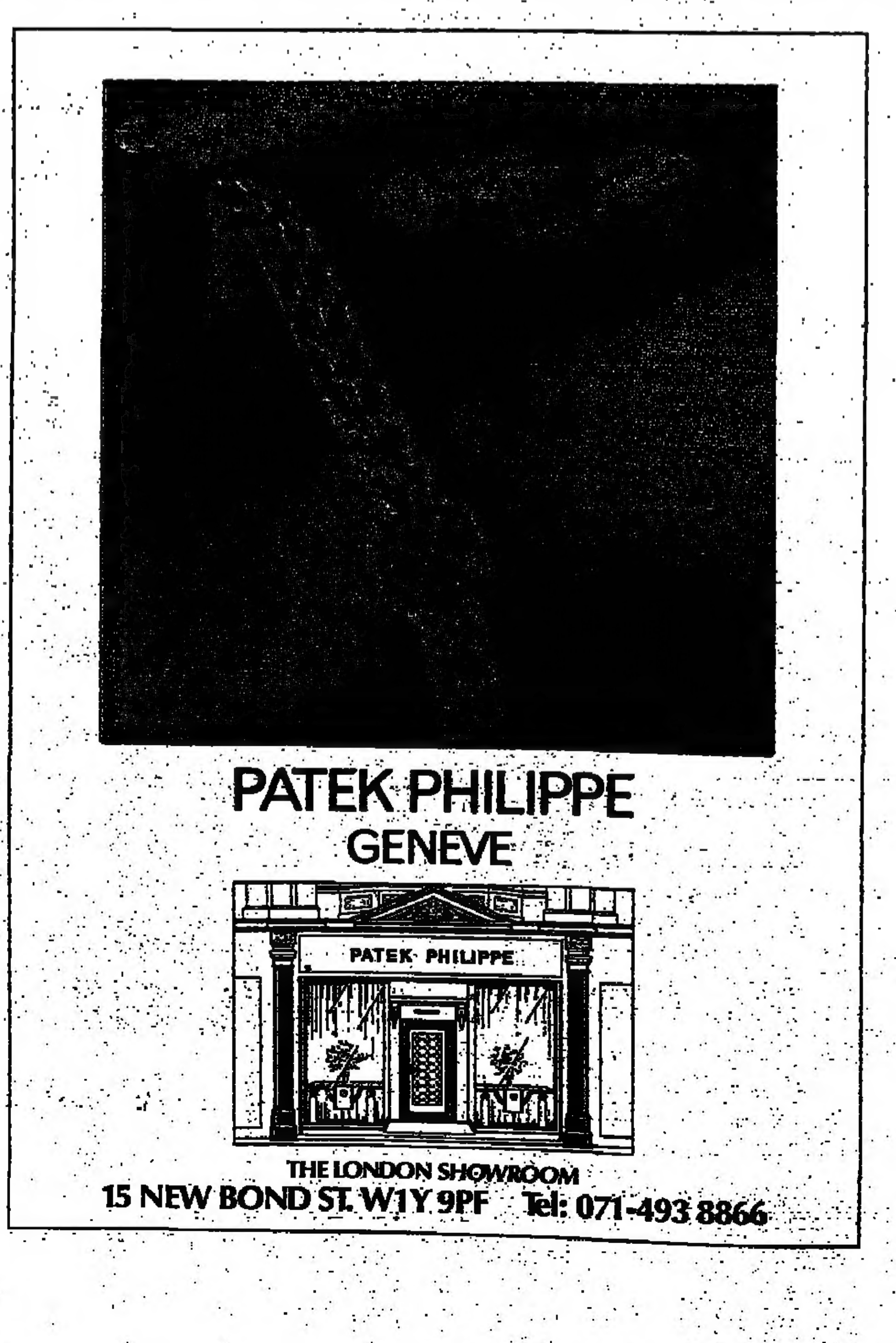
The IMF is closely monitoring Argentina's economic performance, with a view to unblocking a $1.4bn stand-by loan agreed last October but which collapsed early this year.

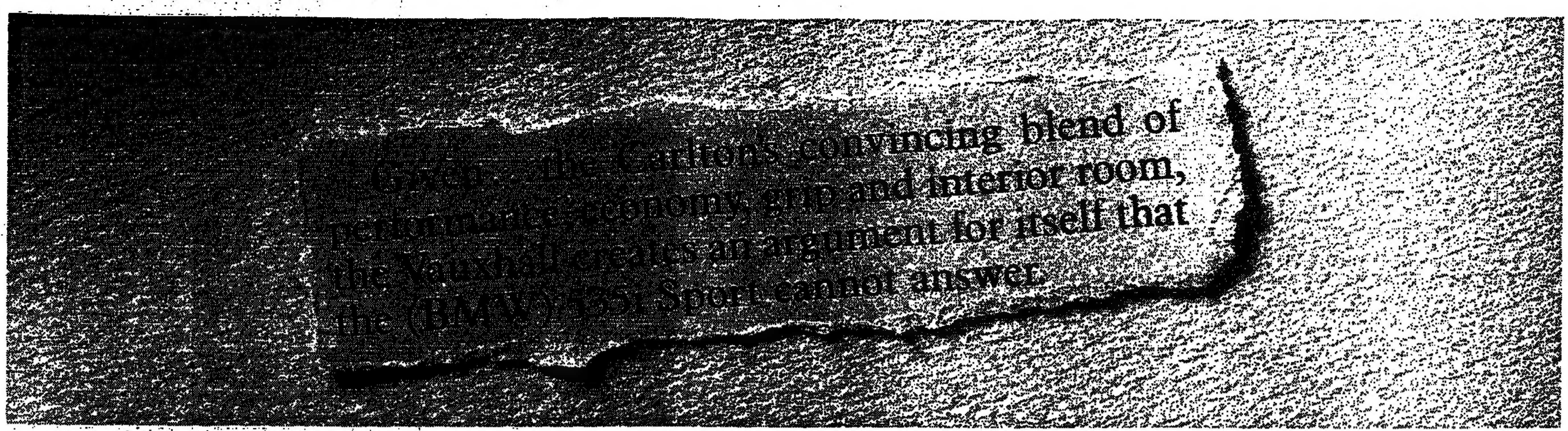
Argentine government officials said last week they hope for a renewal of disbursements by the end of May, but the IMF is known to be sceptical concerning its plans to achieve a fiscal surplus.

Fuel price increases are the easiest means for the Government to boost its revenues, but the increases will inevitably be passed on to consumers, threatening the Peronist government's current fragile control of inflation.

Argentina's largest farming association, the Rural Society, estimates that each 10 per cent fuel increase raises total costs by 3.2 per cent.

Despite government suggestions that inflation is once more being brought under control, trades unions are now likely to lodge wage demands to keep in line with the last month's figures.





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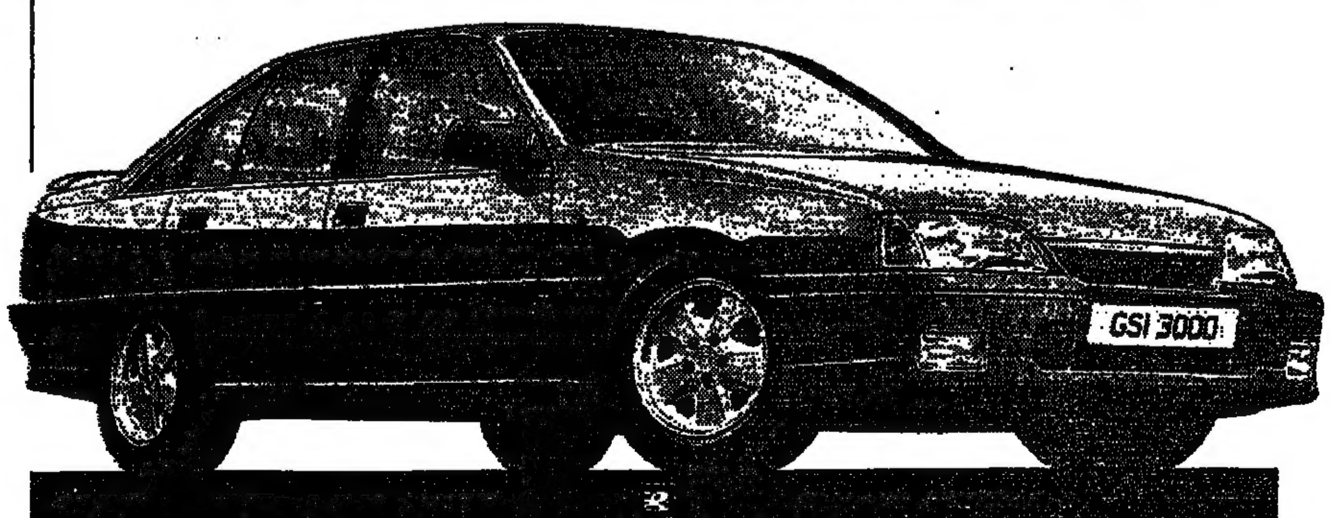
Leave yourself plenty of time, though. With the Carlton costing £7,310 less than the BMW, you'll have enough money left to make it worthwhile testing an Astra as well.

THE CARLTON GSi 3000 24v.



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OVERSEAS NEWS

London angers Europe over HK passport offer

By John Elliott in Hong Kong

MR FRANCIS MAUDE, British Foreign Minister responsible for Hong Kong, yesterday embarrassed and annoyed local diplomats representing France, Germany and other countries by presenting what they regarded as an exaggerated and premature report of their governments' plans to grant passports or rights of entry to Hong Kong people.

Mr Francis Maude

On the third day of a visit to the colony, Mr Maude said that plans being finalised by up to 20 other countries could "perhaps double" the UK's plan to give passports to 50,000 heads of household contained in a Nationality Bill published last week in London.

He produced no statistics to support this ambitious claim but announced that France was "implementing a scheme to provide passports or right of entry for up to 1,500 employees of French companies and their families". Germany, Belgium and Luxembourg were "about to finalise schemes of broadly the same nature".

It is assumed that Mr Maude did this to head off criticism that the 50,000 is seen as too large by most British opponents and too small by Hong Kong people.

But few countries are prepared to make guaranteed offers at this stage, and Mr Maude's move ruffled diplomatic tempers. A secretary at the French consulate said yesterday afternoon that the office had been closed to forestall floods of passport requests, and an official at the Belgian consulate said: "This has put us in a very difficult situation – I do not know where Mr Maude has got his information." A West German diplomat had "never heard about it".

The announcement followed several weeks of hectic diplomatic activity during which the UK has told its embassies in various foreign and commonwealth capitals to wring the best statements possible out of their governments. But few have produced enough to satisfy Mr Maude, so he went further than any of the local consulates expected.

France has already issued rights of abode to between 50 and 100 key employees of its companies working in Hong Kong and is working on a package for a significantly bigger number. But a spokesman *said it* had made no decisions and be rejected any idea of a quota figure such as 1,500. Belgium is also working on plans, but seems more likely to offer limited right of entry rather than full passports.

Mr Maude correctly said that Singapore had a scheme for 25,000 heads of household, who can stay in Hong Kong for five to ten years after receiving admission papers. He also mentioned undefined flexibility in Australian and Canadian schemes, plus a Congress Bill on delayed entry for immigrants to the US.

HK group planning TV satellite station

By John Elliott in Hong Kong

HUTCHISON Whampoa, the Hong Kong property-to-telecommunications group, is drawing up plans for an international commercial television station covering Asia and the Middle East, using the AsiaSat communications satellite which was successfully launched by China last Saturday.

Hutchison, which holds a one-third stake in AsiaSat, has this week signed reservation contracts for 12 of the satellite's 24 communications transponders. It will decide within six weeks whether to launch its own station or to use the equipment for other work such as providing input for existing broadcasting stations, community television systems, and cable television.

With two beams or "footprints" covering an area from Bahrain to Japan, the satellite covers a population of 2.5bn, which is regarded as a highly lucrative potential audience. Music, sports and news programmes, mostly in English and paid for by advertising, are being considered for transmission via satellite discs operated by countries, television stations, residential developments or individuals.

The Hutchison contract, which involves a $300,000 down payment, brings to a total of 19 the number of transponders already booked on the satellite.

Mr Terry Seddon, AsiaSat chief executive officer, said yesterday that South Korea also signed for three on Monday, and that four others had already been reserved by Mongolia, Burma and a Hong Kong company called Capital Communications which wanted to transmit music-videos. Letters of intent had been signed with Nepal, Pakistan, Bangladesh and Thailand.

Peres power bid leaves a bad public taste

Israel's Labour party argues that the end justifies the means, writes Hugh Carnegy

UNTIL a short while ago, it seemed an unlikely, even impossible prospect. Yet today Mr Shimon Peres, the leader of Israel's Labour party, will ask parliament to elect him Prime Minister. If he succeeds it will banish the Likud party he has failed to defeat in four general elections into opposition for the first time since 1977.

To the surprise of many, he appears likely to succeed. So finely balanced is the 120-member Knesset, summoned from the Passover recess for the vote, that Mr Yitzhak Shamir, the incumbent Prime Minister and Likud leader, will fight to deny Labour the vital few votes it needs to take over the government. But in the last few days, his chances of doing so seemed to diminish.

If he pulls it off, a Peres victory would represent a remarkable triumph of political manoeuvre that his supporters believe could transform a hitherto deadlocked political outlook. Not least, he intends to rekindle a US-proposed plan for Israeli-Palestinian peace talks which Mr Shamir blocked and which caused the collapse last month of the old Likud-Labour coalition.

Defeat for Mr Shamir, now 73, would almost certainly presage moves within Likud to replace him and a battle within the party between hardline aspirants, such as Mr Ariel Sharon – the combative former defence minister – and Mr Shamir's favoured successor, Mr Moshe Arens, currently Foreign Minister.

The gamble for Mr Peres, previously Prime Minister for just two of his 13 years as Labour leader, has been great. The favourite line of commentators is that this is his last chance.

His efforts to unseat Likud have been watched with passive but extreme scepticism by Mr Yitzhak Rabin, himself a former Labour premier who was always uncomfortable under Mr Peres.

Mr Peres has also risked a high public price for his ambition. There has been unprecedented public reaction to the levels of intrigue reached in the three weeks since President Chaim Herzog called on him to try to form a government, after Mr Shamir lost a vote of confidence in the Knesset.

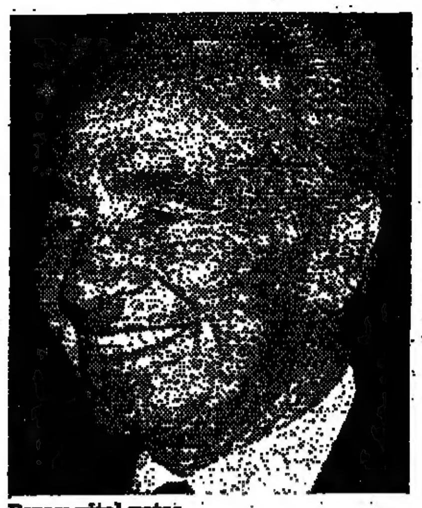
Last weekend, this prompted a demonstration in Tel Aviv in favour of electoral reform by more than 150,000 people, the biggest public protest since the outcry in 1982 against the massacre in Lebanon of dozens of Palestinians by Christian militia allies of the Israeli invasion force.

Public opinion polls show that more than 70 per cent of the electorate favour changing the present extreme version of proportional representation. The principal criticism of the system is that it produces such a profusion of small parties that the main Likud and Labour blocs are forced to bargain incessantly to secure the support necessary to form a government.

Such was the stalemate after the last two general elections in 1984 and 1988 that Likud and Labour reluctantly formed grand coalitions. Mr Peres was Prime Minister from 1984 to 1986 before being succeeded by Mr Shamir in a "rotation" agreement.

After the 1988 election, Mr Shamir managed to stay in control, but the uneasy nature of the partnership rendered it almost incapable of taking decisions.

It was Labour's frustration at Likud's refusal to accept US terms for talks with the Palestinians that led Mr Peres to try to form his own government without Likud.



Peres: vital votes

The task seemed all but impossible at first, given that Labour had only 39 members in the Knesset. Support from small left-wing and Arab factions and Agudat Israel, one of the four religious parties, brought the numbers up to 60, but that was one short of a majority.

It was then that the real scheming began that has evoked such public disgust. First Mr Peres - a *kippa* on his usually bare head – sought support from two more ultra-orthodox parties. These were the Shas and Degel Hatorah parties, with eight seats between them committed to Likud.

Labour and Likud both shamelessly commandeered public funds to give to religious institutions as the new budget went through parliament. When that tactic failed, the Labour leader turned his attentions on five dissident members of Likud, upset by what they regarded as Mr Shamir's broken promises to them of office and other rewards. By making his own offers, Mr Peres last weekend secured the public support of one of this group, Mr Avraham Sharir, thereby achieving the elusive 61 Knesset votes.

Mr Peres has shrugged off the public howls of dismay at this shabby process. He said that what matters is where his government would lead, not how it came into being.

His calculation is that once he gets into office, some of the small parties now allied to Likud may come his way for fear of being left in opposition. This would give him greater stability to resist attacks from Likud.

The Labour hope is that momentum would build up behind a Peres government as the public saw progress on the peace front after months of stalemate. The party expects strong support from the US and Europe and from the Soviet Union, which has so far hesitated to restore ties severed after the 1967 Six Day War.

In particular Mr Peres hopes to attract external help for the huge task of absorbing the hundreds of thousands of Soviet Jews expected to arrive in the coming years.

He has his eye on the next general election in 1992. But first there is today's vote in the Knesset to overcome, not to mention the fierce attacks from the right that would inevitably follow.

Jordan left uncomfortable by bitter Iraq-Israel squabbling

By Lamis Andoni in Amman

THE recent exchange of threats between Iraq and Israel puts the Kingdom of Jordan, which is sandwiched between the two, in a particularly uncomfortable position.

From the east, President Saddam Hussein has boasted about Baghdad's chemical weapons and threatened to destroy half of Israel if it strikes against Iraq. From the west, Israel has hinted at devastating nuclear retaliation against any Iraqi chemical attack.

As Arabs, and as military allies of Iraq, King Hussein and his Jordanian subjects have publicly welcomed President Saddam's stand against Israel. But as Israel's neighbours, and as allies of the West, they privately fear Israeli countermeasures and deplore the escalation of tension.

Even before the Iraqi-Israeli exchanges Jordan was suffering the effects of the stalemate in the Middle East peace process. Over the past 18 months more than 15 attempts have been made by guerrillas to infiltrate across the Jordanian border into Israel, a measure of growing Palestinian frustration about the peace process and Israel's attempts to suppress the uprising in the occupied territories by force.

Despite having abandoned responsibility for the Israeli-occupied West Bank to the Palestine Liberation Organisation, Jordan continues to provide moral and financial support for the uprising.

A 60-member royal commission is to draw up a national charter aimed at ending a 30-year ban on political parties in Jordan, Lamis Andoni writes. The step is part of a series of a liberalisation measures which was initiated last November with a general election and followed by a freeze on martial laws which had paralysed political life. The national charter is expected to put an end to the exclusive status that the Moslem Brotherhood has enjoyed since 1958 and secure the commitment of the leftist and Pan Arab nationalist trends to the Hashemite monarchy.

Moreover, the migration of thousands of Soviet Jews to Israel has reinforced Jordanian fears that Israel wants to cause a mass Palestinian exodus to the East Bank as a prelude to transforming Jordan into a substitute Palestinian homeland.

Jordan, therefore – in the absence of any other effective Arab support – welcomes the emergence of Iraq as a military power which can act as a deterrent against Israel.

Jordanian officials, however, are less happy about the manner in which President Saddam plays his cards. They believe his admission that Iraq possesses lethal chemical weapons and his rhetorical outbursts have played into the hands of Israel, bent on convincing the West of the untrustworthiness of the Arabs.

"Saddam's and consequently Iraq's credibility and status are very relevant to its emergence as a deterrent force," said one government official. "But Saddam will lose his credibility and seriousness if Israel decides to use the current western campaign to strike against Iraq."

The Jordanian Government is said to have been particularly alarmed by the enthusiasm in the Arab world that greeted Saddam's warning to Israel. For many the impact was a reminder of the euphoria which Gamal Abdul Nasser, the late Egyptian President, created immediately before the Arab defeat in the 1967 war against Israel.

"The same experience could be repeated if the Arab world is not ready," a Jordanian politician warned. "Both our alliance with Iraq and our support for the Palestinians are essential prerequisites for the long-term stability and security of Jordan. Our dilemma is how to keep them without being trapped in a premature confrontation with Israel."

Jordan and Egypt (which are members of the Arab Co-operation Council together with Iraq and North Yemen) are believed to have pressured President Saddam to tone down his statements and reiterate Iraq's support for peace in an effort to avert any Israeli action against Iraq or Jordan.

Burmese make forced labour part of national policy

By Roger Matthews

BURMA's military regime appears to have abandoned any pretence at securing even marginal public sympathy in the run-up to elections planned for May 27.

Although it has been clear *for some time* that the regime, which in 1988 killed and wounded thousands of pro-democracy demonstrators, would not permit a fair test of public opinion, it had been assumed it would not seek to alienate the population even further.

However, hard on the heels of its forcible relocation of tens of thousands of people living in Rangoon and other large cities, the army has now found a new method of forcing civilians into becoming unpaid porters for the soldiers fighting ethnic rebels along Burma's borders.

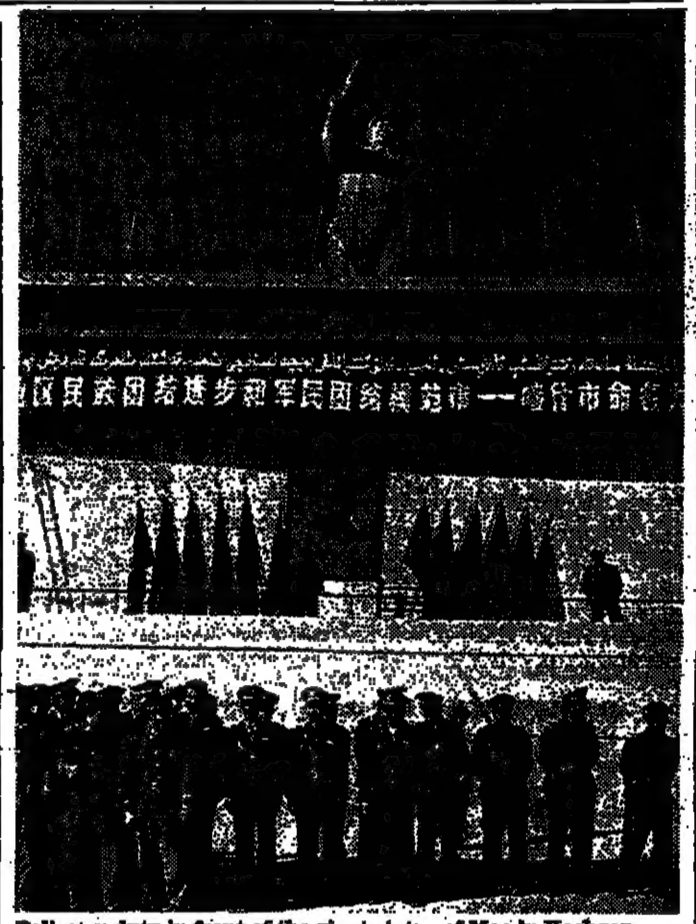
Finding it increasingly difficult to snatch wary young men from the streets, eye-witnesses say troops have recently taken to seizing women and small children. In several well-authenticated swoops in the past three weeks, dozens of women and children have been detained.

When husbands and fathers arrived to seek their release they were given the option of paying a large ransom, or "volunteering" as a porter in return for the release of the wives and children. Deaths among those press-ganged as porters has been high as they are often unfit for the task and forced to carry heavy burdens through jungle and into combat zones.

Meanwhile the regime is busily adding to the restrictions already imposed on the conduct of the general election. Having detained and jailed thousands of opposition activists, refused to sanction public rallies, and restricted each party to one 10-minute pre-censored statement on radio and television, the regime is now planning to announce only the winners of each constituency. It has already refused to issue a complete list of candidates and parties.

The result of this will presumably ensure that the regime-backed National Unity Party emerges as the victor. Even if, as some apologists for the Burmese regime claim, voting on polling day takes place without official hindrance, there will be no way of knowing the real outcome.

The regime has refused to contemplate the presence of international observers and seems likely to maintain its ban on foreign journalists.



Police on duty in front of the giant statue of Mao in Kashgar

Chinese troops may have killed 50 in Moslem riots

TWO negotiators sent to calm Islamic unrest in China's remote north-west were killed and in subsequent riots security forces killed about 50 people, Western travellers said yesterday quoting local people, Reuter reports from Peking.

Officials in the Xinjiang region reached by telephone from Peking declined comment on Western media reports that troops had crushed a riot near the ancient Silk Road city of Kashgar last week.

In the most detailed version so far of the events, two Swedish tourists, Mr Jan Arell and Ms Karin Teghammar said in Peking that, according to unconfirmed accounts, trouble flared in a town some 50 km from Kashgar.

The trouble began after the local ethnic Kirghiz community had been prevented from building new mosques. Two Chinese negotiators sent to the town, near Kashgar's airport, were killed after talks hit a deadlock.

Riots then erupted and troops suppressed them, killing about 50 people, the Swedish couple said, quoting local sources who could not be identified.

The couple said that at the time of the reported unrest they were in the regional capital of Urumqi some 600 miles away and could not confirm the accounts independently. They did not know the name of the town.

A Western diplomat in Peking said he had heard similar reports from different sources.

A Communist Party official in Kashgar told a West German reporter that the unrest had been "suppressed" by Friday. He gave no details.

The Swedish tourists quoted airport and bus station officials in Urumqi as saying on Sunday that foreigners were forbidden to go to Kashgar. "There were police standing behind the women selling bus tickets," said Arell.

About half of Xinjiang's 15m people are non-Chinese minorities sharing the Moslem faith with inhabitants of the Soviet Union's restive Asian republics, Tadjikistan and Kirghizia, across a long and sensitive border.

Nepalese opposition rejects offer

NEPAL'S main opposition parties, banned for three decades until bloody protests last week, yesterday refused an offer to participate in government, Reuter reports from Kathmandu.

Sahana Pradhan, leader of a seven-faction United Left, said the Government bore full responsibility for the shooting of protesters in Kathmandu on Friday. He said the entire political system should be dismantled.

Absolute monarch King Birendra lifted a ban on political parties on Sunday after the bloodiest scenes in modern Nepalese history. Eyewitnesses said 50 people were killed on Friday when troops fired at protesters marching to the royal palace.

Pasupati Rana, a member of the present Cabinet, rejected the opposition's demand for dismissal of the government.

"Creating a consensus is always a difficult task, but there are instances of consensus being created out of very divergent parties", Rana said.

The Congress and the United Left, allied in the Movement for the Restoration of Democracy (MRD), are pushing for a new constitution limiting the role of the monarch.

The king, now functioning above the constitution, is revered by many in Nepal as a descendant of the Hindu god Vishnu.

Girija Prasad Koirala, general secretary of the Nepali Congress, said the demand for the king's role to be reduced to a constitutional monarch was shared by the entire opposition.

"No one wants to relinquish power but we have to see the sentiments of the people", Mr Koirala said in a reference to eight weeks of pro-democracy campaigning by the MRD. He said there could be more violence if opposition demands were not met soon.

Both the Nepali Congress and the communist factions of the United Left want the government replaced by an interim government formed with or without the participation of supporters of the present system.

S Africa has 'soft landing' despite curbs

By Philip Gawith in Johannesburg

THE South African economy has enjoyed a soft landing despite restrictive monetary and fiscal policies pursued since late 1988, the South African Reserve Bank said in a report published yesterday.

The central bank's latest quarterly bulletin says the country's balance of payments, foreign reserves and exchange rate are satisfactory, but problems remain with inflation, expansion in the money supply and wage restraint.

The economy grew at slightly more than 2 per cent for 1989. This was down from 3.5 per cent the previous year, but better than the 1.5 per cent average for 1980-89.

Real gross domestic product declined in the fourth quarter at an annualised rate of 1.5 per cent, the first quarterly decline in output since the first quarter of 1986. Real gross domestic expenditure declined at an annualised rate of 7 per cent.

This was reflected in a mild strengthening in the current account surplus in the quarter to an annual level of R5.9bn (£1.36bn).

The bank observes that the rise in the current account surplus for calendar 1989 to R4.1bn from R2.9bn in 1988 was largely attributable to a "remarkable" 17 per cent volume increase in merchandise exports.

Gold and foreign exchange reserves, which rose in the previous three quarters, fell in the fourth quarter, partly because of a reduction in short-term foreign liabilities. But the bank adds that both gross and net foreign reserves rose encouragingly in the first two-and-a-half months of 1990.

ANC puts up moderate negotiating team

By Patti Waldmeir in Johannesburg

THE African National Congress (ANC) will be represented by a relatively moderate delegation of 11 anti-apartheid leaders when it holds its first formal talks with the South African Government early next month.

The talks, aimed at removing obstacles to negotiations on a post-apartheid constitution, were to have taken place today. The ANC insisted the meeting be postponed in protest at police shootings of black demonstrators, and new dates have been set for May 2 to 4.

The ANC's national executive committee, its chief policy-making body, yesterday announced the composition of its delegation to the talks, and released details of an extended overseas visit by Mr Nelson Mandela, its deputy president.

Britain was not mentioned in the itinerary, which included the US and Soviet Union, France and West Germany, and a number of African countries.

No dates were released and plans for the visit – which is due to be completed by July – appear to be at an early stage.

Mr Mandela has made clear that he wishes to take up an invitation from Mrs Margaret Thatcher, the British Prime Minister, to meet her in London; however other senior ANC officials say the invitation should be refused, in protest at Mrs Thatcher's opposition to economic sanctions against Pretoria.

Mr Mandela will lead the ANC delegation to the May talks. The team will include two former political prisoners who served long sentences with him: Mr Walter Sisulu and Mr Ahmed Kathrada.

Three other internal anti-apartheid leaders will also attend: Mr Archie Gumede, Rev Beyers Naude and Ms Cheryl Carolus; all are senior officials of the United Democratic Front (UDF), an ANC affiliate which rose to prominence before the ANC was legalised two months ago.

Mr Naude, a dissident Afrikaner cleric, was a surprise addition to the delegation.

Exiled members of the delegation will include Mr Alfred Nzo, ANC acting President, Mr Thabo Mbeki, shadow Foreign Minister, Mr Joe Slovo, the general secretary of the South African Communist Party, and Mr Joe Modise, the military commander.

Apart from Ms Carolus, the delegation includes no members of the younger generation of more radical anti-apartheid leaders.

Houtekins and Valente in Beirut yesterday

Paris thanks Gadaffi for release of three hostages

By Lara Marlowe in West Beirut and William Dawkins in Paris

THREE European hostages released by Palestinian extremists in Lebanon were due to arrive in Paris last night as the French Government thanked Libya for its part in ending their two-and-a-half year ordeal.

Ms Jacqueline Valente, a 32-year-old French woman, Mr Fernand Houtekins, her 42-year-old Belgian companion, and the couple's daughter Sophie, were freed by Abu Nidal's Fatah revolutionary Council (FRC) in West Beirut yesterday morning.

Ms Valente and Mr Houtekins had been captured in November 1987 on a yacht in the eastern Mediterranean, and Sophie was born in captivity a month later.

The French Foreign Ministry yesterday issued a statement expressing satisfaction and recognition for this "noble and humanitarian gesture". This would be given proper consideration in future relations between France and Libya, said the ministry.

Mr François Mitterrand, added his personal thanks to Col Muammer Gadaffi, the Libyan leader, for the "the determinant role" which he had played in "this happy ending", a statement from his office said.

Col Gadaffi yesterday called for western countries to respond by freeing Arab political prisoners. He appealed on April 4 for the release of Ms Valente and her family. (Ms Valente gave birth to two daughters in captivity, but the second baby died at birth.)

Last month Paris returned to Libya three Mirage jet fighter aircraft sent to France for repairs. The return of the fighters had been blocked since 1986. The delivery, authorised by France last November, has been criticised by the US.

Formerly strained relations between France and Libya have picked up recently, despite renewed allegations from other Western countries that Libya is illictly making toxic gas weapons.

Diplomatic relations have warmed since last August's agreement between Libya and Chad to pave the way for a settlement of their frontier dispute, in which France had been supporting the Chadian Government.

French officials deny that the return of the fighters was directly aimed at obtaining the hostages' return, or that the delivery contravened a 1986 European Community ban on arms exports to countries implicated in supporting terrorism. The fighters do not increase Libya's military potential, they argue.

It is still unclear whether four remaining Belgian hostages captured along with Ms Valente and Mr Houtikens are being held in Lebanon or Libya. Ms Valente told journalists in Beirut yesterday that she was "tired after the journey," fuelling speculation that the hostages may have been transported from Libya before their release.

The four Belgian hostages still held by the FRC are Fernand Houtekins's brother, Emmanuel, aged 44, his wife Godelieve, 50, and their two children, Laurent and Valerie, who are 19 and 18 years old.

Mr Hollanis van Loocke, the director of political affairs at the Belgian Foreign Ministry, is still in Beirut attempting to secure their release, but the FRC appears determined to obtain the freedom of Mr Nasser Said, one of its members imprisoned in Belgium, before releasing the other hostages.

Mr Nasser was found guilty in 1980 of carrying out a grenade attack which killed a 15-year-old Jewish boy and wounded 20 worshippers at an Antwerp synagogue.

The FRC sought to gain maximum publicity from the liberation of the three Europeans yesterday. Since Col Gadaffi made his appeal on April 4, the FRC's spokesman in Beirut, Mr Walid Khaled, has issued communiques and held press conferences almost daily.

In an interview on April 5, Mr Khaled linked the FRC's hostages to 17 other Western Hostages held in Lebanon. He said the release of the hostages was a "prelude" to the freedom of "all" Western hostages and confirmed that his group had made contact with pro-Iranian kidnappers.

WORLD TRADE NEWS

Bill to hit back at EC single market brought into House

By Nancy Dunne in Washington

THE FIRST SUBSTANTIVE legislation which would mandate retaliation against the European Community in connection with its 1992 single market programme has been introduced into the US House of Representatives.

Backed by Congressman Mr Sam Gejdensen, the House Trade Subcommittee Chairman, and a Republican subcommittee member, Congressman Mr John Miller of Washington, the legislation would deny EC companies the right to use European laboratory testing to certify compliance with US health and safety standards.

This could make it more difficult for European companies to do business in the US.

The Bush Administration has repeatedly protested at the exclusion of US officials and exporters from meetings of the EC product standards-setting body, CEN/Cenelec.

Furthermore, US officials are uneasy about the Community's failure to formally endorse the current bilateral testing and certification system, which allows American companies to test many of their products in US laboratories. European companies are also permitted to do much of their own testing and receive certification in European laboratories.

However, complaints by the Administration have produced only minor gains.

"There comes a time when begging must stop and action must start," said Mr Gejdensen, whose committee has been closely scrutinising the 1992 process.

The legislation would deny EC companies the rights to "self-certify" compliance with standards set by five government agencies: the Federal Communications Commission, the Environmental Protection Agency, the Food and Drug Administration, the Energy Department, and the Labour Department.

The requirements would remain in effect until the US Commerce Secretary certifies that the EC has resolved US concerns about European standards-setting policy.

US officials and industry representatives say the EC plan to harmonise all European product standards – and the procedures to test compliance with those standards – could benefit American business if they are non-discriminatory.

However, they worry that EC representatives to CEN/Cenelec are usually from the industry involved and say standards have already been written which would benefit European producers of anaethesiology equipment, toys and forklifts over US producers.

The US relies on its private sector to set most of its product standards. EC companies are allowed to observe standards-setting meetings and sometimes even to vote in the US, according to Mr Gejdensen.

Sony offshoot to build video components plant in France

SONY Corporation's French subsidiary will construct an audio and video components manufacturing plant in France, the group said yesterday, *Kyodo news agency reports from Tokyo.*

A Sony official said that Sony France will invest about FFr300m (£30m) to build the plant in Bayonne City, on the south-west coast of France.

The plant is expected to begin manufacturing optical pick-up devices for use with compact disc players, and single- and double-sided printed circuit boards for audio-video equipment in summer 1991, the official said.

The products will be supplied to Sony's other plants in Europe, he added.

The 14,200 square-metre plant will be located on an 88,000 square-metre site.

It will be Sony's fourth manufacturing venture in France, the company stated.

Bechtel wins HK airport adviser contract

BECHTEL OF THE US yesterday won a HK$90m (£6.8m), 20-month contract to act as the Hong Kong Government's programme implementation adviser on projects costing over HK$50bn for a new airport with road-rail links, John Elliott reports from Hong Kong.

This is the first of a series of consultancy contracts to be awarded for the Colony's HK$127bn long-term programme of airport and seaport works. It will be extended after its termination date of December 1991 if work goes smoothly.

Working with Halcrow Partnership of the UK, Bechtel will help the government co-ordinate the programming, budgeting and overall control of the airport and link projects, to be ready by 1997. Bechtel and Halcrow are among seven contenders for a HK$300m master-plan consultancy for all the HK$127bn projects, likely to be awarded soon. Other contenders include Austin Company of the US, working with Freeman Fox of the UK; Pei Cobb Frei of the US, McDonnell-Douglas, and Kawasaki Heavy Industries.

Mongolia seeks Gatt membership

MONGOLIA wants to join the General Agreement on Tariffs and Trade as part of a broad restructuring of its economy, Mr Dashiyn Byambasuren, First Deputy Prime Minister, said, Robert Thomson reports from Ulan Bator.

Mongolia would "not hesitate to join Gatt," he stressed, but "some factors are outside our control, such as Gatt's willingness to accept us. I think we are starting on an eonomic reform programme that will eventually lead us to Gatt".

The ruling party was considering joining the Asian Development Bank, as part of a "more international economic policy". It wants to trade with western countries, and replace a centrally-planned system with a "state-controlled market economy".

About 90 per cent of Mongolia's trade is with Moscow.

US tries to jump-start Panama economy

White House is working to mobilise private sector initiative, writes Nancy Dunne

A $40m (£23.5m) business investment fund, a luxury hotel, and a shrimp farm operation with plans to employ an entire town are among the projects developing under a Bush Administration plan to help "jump-start" the Panamanian economy through private sector stimulus.

The initiative, overseen by the US Overseas Private Investment Corporation (Opic), has, in just a few weeks, generated $70m in investment pledges, a figure which could climb to $100m by the end of April.

Although that sum pales alongside the more than $2bn owed to Panama's creditors, the Administration believes an injection of quick cash in the private sector will provide liquidity and jobs, helping the nation survive until the President's proposed $500m-$1bn aid package obtains Congressional approval, which will then filter through to the economy.

Key to the private sector "jump-start" is the Panama Economic Recovery Fund, a creation of two former Reagan Administration officials, Mr H.P. Goldfield, a White House Associate Counsel, and Mr Craig Fuller, President Bush's former chief of staff.

Opic will serve as guarantor of the fund's promissory notes and overall supervisor of its investments. Strategic Resources Corporation, a Washington-based international trade and consulting firm, will serve as the fund's general partner.

It is searching out a large US bank already operating in Panama to be local financial partner, identifying investment opportunities and managing the fund's day-to-day operations.

A US lending institution will purchase $20m-worth of guaranteed promissory notes, providing half the fund's capital. The other half will be funded through purchase of limited partnership units at $1m each by US and Panamanian corporations.

One of the Fund's first targets is the Panamanian construction industry, badly damaged by US sanctions. As liquidity dried up, the industry went from doing $160m-worth of business in 1987, to $12m in 1989, to a projected $6m this year, according to Mr Goldfield.

The fund plans to purchase a portfolio of discounted seasoned mortgages held by Panamanian and US financial institutions, to provide local banks with the liquidity to finance new construction projects – particularly those geared to low- and lower-middle income housing.

It will also lend money through Panamanian banks to middle- and upper-market Panamanian companies which have been profitable in the past but now suffer a lack of short and medium-term credit.

In addition, it will search out investments in Panamanian companies, joint ventures and privatisation projects identified by the Panamanian Government, such as the privatisation of Air Panama and port facilities.

The plan has, in just a few weeks, generated $70m in investment pledges, which could climb to $100m by the end of April

As strong supporters of President Bush, Mr Goldfield and Mr Fuller combine patriotism with profit. Mr Goldfield sees an opportunity for big paybacks, once Panama gets on its feet, as well as a chance to strengthen its fledgling democratic institutions. If Panama falters on its path to democracy, "history won't look at us well for having not helped," Mr Goldfield said.

Most of the planned projects have grown out of a recent Opic mission to Panama, headed by its peripatetic president, Mr Fred Zeder, who has also been matching up US investors in deals around eastern Europe.

Opic is the US government agency which underwrites political risk insurance and makes equity investment in developing countries.

One of the dozens of "old friends" of President Bush, Mr Zeder was given a White House send-off to Panama on a trip attended by 27 representative of American business including AT&T, American Express, Unocal Geothermal, GTE and others.

At their destination, the investors were met by Panama's President Guillermo Endara, Vice-President Guillermo Ford, and dozens of Panamanian government and business officials.

"It really opened really our eyes to great opportunities," said Mr Eric Levy, director of grower relations at Great American Farms.

"Farms" has targeted a group of farmers for special assistance to produce exportable melons. It will teach the Panamanians to expand production, and package and market their produce in the winter months in the US and the UK.

Mr Joe Thaggard, president of Altrix International, a Coral Gables Florida aquaculture company, has tried for years to expand its 40-man operation in Perita, on the Pacific near Costa Rica, where conditions are ideal for harvesting shrimp.

For four years, he knocked on doors to get the necessary permission and got nowhere. The World Bank, which had offered assistance, pulled out of the deal.

On the Opic trip, Mr Thaggard said he found "an attentive and intelligent group running the government".

Land concessions were quickly agreed, with a 20-year lease provided. The company is now set to expand to 140 employees and to build housing for its workers.

During the mission, the TransAmerica Hotel Group announced plans to build a 450-room Raddison resort about 75 miles west of Panama City on Coronado beach. Construction is scheduled to begin in mid-summer this year, employing 250 Panamanians. The hotel is scheduled to open in December, 1991, providing jobs for about 400 full-time workers.

Third World urged to speed Uruguay Round

By William Dullforce in Geneva

THE EUROPEAN Community and the US yesterday called on the developing countries to accept modifications to the special treatment they receive under the General Agreement on Tariffs and Trade, to allow for success in the Uruguay Round trade-liberalising talks.

The world's two biggest trading powers reiterated their firmness on this point after the developing countries had complained to the Trade Negotiations Committee (TNC), the governing body for the trade talks, that nothing fundamental had so far been done in the Round to meet their interests.

Both Mr Tran Van Thinh, head of the EC delegation, and Mr Warren Lavorel, the US Co-ordinator for the trade talks, voiced "cautious optimism" about the outcome of the Round, but stressed the next three months would be critical.

The Round is due to end at a trade ministers' meeting in Brussels in December, but Gatt aims to have an outline package of results for the 15 subjects under negotiation ready by the end of July.

In a joint statement to the TNC, the developing countries said they were being asked to ignore the principle enunciated at the start of the Round in 1986 that they should not be required to make concessions inconsistent with their development, financial and trade needs.

No agreement had been reached on ways of reversing protectionist policies harmful to their exports in the groups negotiating on market access.

In contrast in the "new" areas in which the developed countries were interested, an outline agreement had been defined for trade in services and attempts were being made to impose disciplines on countries' policies on intellectual property protection and foreign investment that went beyond trade effects.

The consequences would be extremely serious for the Round, if this state of affairs was not immediately rectified, the developing countries said.

Mr Tran Van Thinh said the EC's priority in its relations with the developing countries was to ensure they took on greater obligations under Gatt as they advanced in their development. The article under which they can claim exemptions from Gatt rules for balance of payments reasons was too big a loophole.

The EC also wanted firmer commitments from developing countries to reduce and bind tariffs. On the other hand, the EC was ready to negotiate the liberalisation of trade in textiles and clothing, called for by developing countries, and accepted an agreement covering trade in services had to contain a dynamic development aspect.

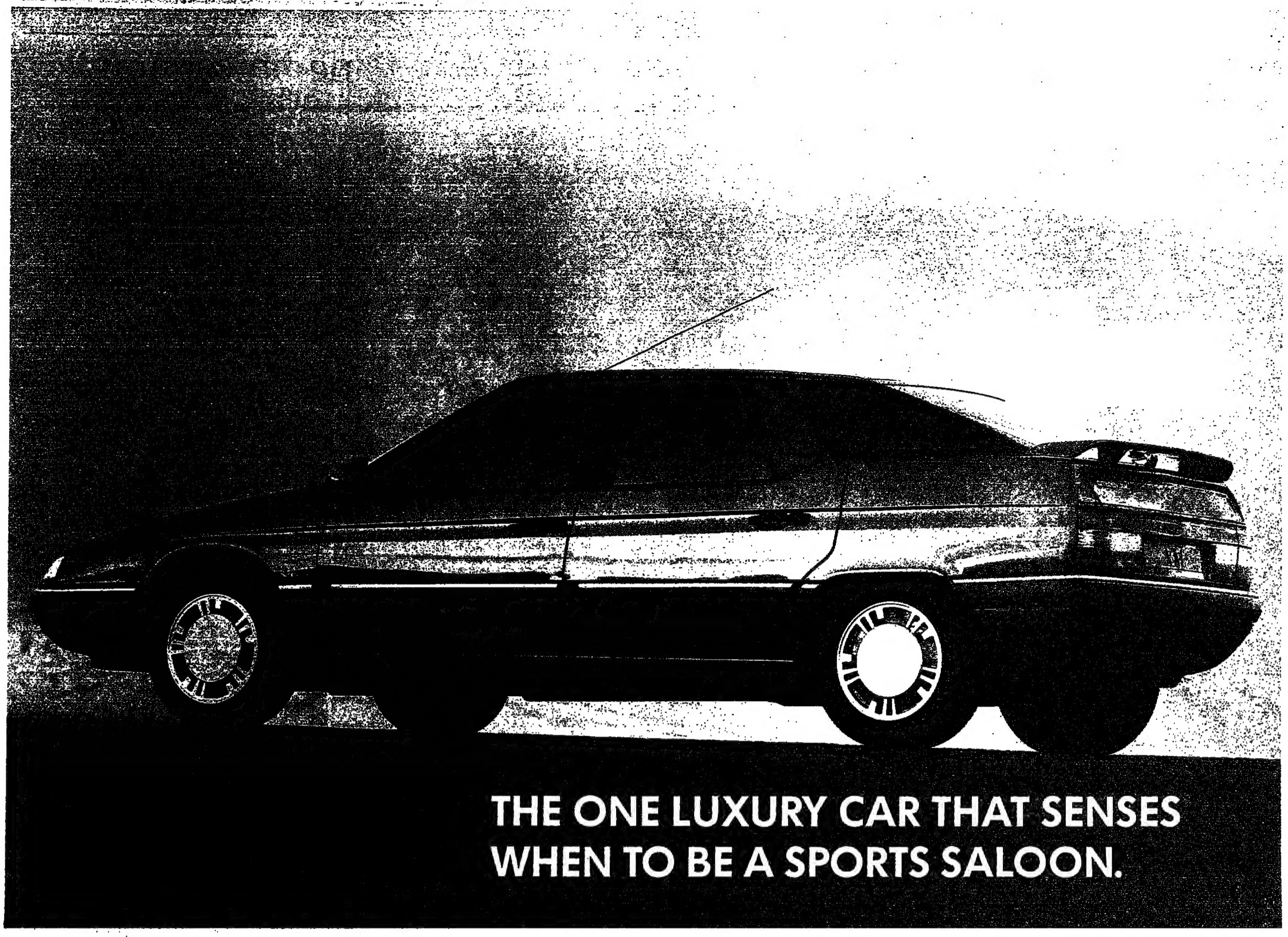
Mr Lavorel said the US was serious about having a satisfactory agreement on Third World balance-of-payment exemptions. The US accepted it would have to give up some sovereignty over its trade policies in favour of multilateral trading rules, and was willing to seek a genuine balance in the results of the Round. But it was not willing to waste time on arguments designed to block the talks or eliminate specific issues.

Moscow urges CoCom reform

MOSCOW yesterday urged the West to make new rules covering exports to eastern Europe of sensitive technology with possible military application, Reuter reports from Bonn.

Mr Stepan Sitaryan, chairman of the Soviet State Foreign Economic Commission, told the 35-nation Conference on Economic Co-operation in Europe that CoCom rules barring export of computers and other electronics equipment to the east should be reviewed.

CoCom, the Paris-based Co-ordinating Committee for *Multilateral Export Controls*, consists of 19 countries dominated by Nato. "CoCom should no longer be a sacred cow," Mr Sitaryan said. "We propose talks begin on rules to govern transfer of dual-purpose technology, with, if necessary, inspection procedures for monitoring its application."



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THE ROAD AHEAD

Insolvencies rise as high interest rates take effect

By Richard Waters

INSOLVENCIES in the UK rose sharply in the first three months of this year, due to the effects of high interest rates.

The number of companies going into receivership jumped by around 55 per cent over the previous three months, according to figures published separately yesterday by KPMG Peat Marwick McLintock and Grant Thornton, the accountancy firms.

Compared with a year ago, the rate of corporate insolvency has increased two or three times, depending on which firm's figures are used.

Worst affected have been property and construction companies and the retail industry, as high interest rates have hit the property market and eaten into consumer spending. Both accountancy firms also report a worsening position among manufacturing companies, which have begun to feel the pinch from lower orders following the fall in retail sales. Textile companies in particular have suffered from the squeeze.

Companies in the south of the country, where mortgages are highest and domestic property prices have fallen furthest, have been damaged most by the increase in interest rates.

Both firms also predict high numbers of insolvencies during the rest of this year if, as the government has indicated, interest rates remain high.

Mr Tim Harward, Peat's senior insolvency partner, said that the introduction of the uniform business rate would also push some companies over the edge, particularly in the south east.

Peat's figures, which lump together groups of companies rather than counting each individually, record 543 receiverships in the first three months, compared with 348 in the last quarter of 1989 and 260 a year ago.

Grant Thornton, which counts each company separately, reports 981 receiverships so far this year, up from 626 in the previous quarter and just 347 a year ago.

Small and medium-sized businesses have been worst affected by the current tough economic climate, with few prominent companies going into insolvency. Smaller companies "have insufficient financial resources and less depth of management skills" to withstand a downturn, said Mr Hayward.

The number of receiverships so far this year has been running at about the same level as during the early 1980s recession.

There are, however, many more companies in existence than a decade ago and since a large proportion of new businesses fold during the early years, this alone would have led to an increase in insolvencies even without higher interest rates.

RECEIVERSHIPS
Jan-March 1990

Industry	Proportion of receiverships (%)
Manufacturing	25
Property/ construction	22
Retailing	13

Source: KPMG Peat Marwick McLintock

House price inflation hit by cost of loans

HOUSE price inflation dropped to zero last month as high interest rates continued to depress the housing market across the country.

House prices nationally rose an average 0.5 per cent last month, but the underlying trend is flat, according to the House Price Index published yesterday by Halifax, Britain's largest home loans and savings institution.

The depression in the market contrasts with house price increases of more than 34 per cent at the end of 1988, the boom year for the market.

Falling prices will continue to depress the market until next year, the survey, published yesterday, predicts.

Regions worst hit are the south – where homes are selling at 10 per cent to 20 per cent below 1989 figures – and Wales, where the underlying trend of annual price inflation has dropped from more than 32 per cent to 8 per cent over the same period, with the quarterly figure up by only 1.6 per cent.

Prices are slowing rapidly throughout the north, where homeowners enjoyed a 25 per cent increase in property values in the past year.

So far this year, prices have fallen by 1.7 per cent and 0.9 per cent in the East and West Midlands, with the annual rate for house price inflation turning negative at -1.23 per cent in the East -2 per cent in the West Midlands. In the north west, prices are still rising but at a slower pace, with the rise in the first quarter down to 1.9 per cent and the annual rate at 23.4 per cent.

House prices in Scotland fell 0.3 per cent in the first quarter compared with an annual rise of just below 17 per cent.

Iveco Ford regains leadership of truck market from Leyland DAF, Hino sales fall

Sharp fall in commercial vehicle demand continues

By Kevin Done, Motor Industry Correspondent

COMMERCIAL vehicle sales in the UK fell by 11.45 per cent in March to 32,043 continuing the sharp decline in demand which began in the final quarter of last year.

Commercial vehicle registrations have been lower than a year earlier in each of the last six months, and in the first quarter this year sales dropped to 89,334, a fall of 11.54 per cent compared with the corresponding period last year according to figures from the Society of Motor Manufacturers and Traders.

The drop in commercial vehicle sales in the face of high interest rates and the UK economic slow-down has hit truck makers most severely.

UK truck output has been cut drastically and most truck makers have been forced to impose three or four-day working weeks.

Iveco Ford, the UK joint venture between Iveco of Italy and Ford of the US in which Iveco, a subsidiary of Fiat, has management control, regained its leadership of the UK truck market in March from Leyland DAF, the UK subsidiary of DAF of the Netherlands.

Iveco Ford sales in March alone were only 7 per cent lower than a year ago compared with the 21.5 per cent drop in the overall UK truck market (above 3.5 tonnes) and a 19.6 per cent fall in Leyland DAF registrations.

In the first quarter Iveco Ford increased its market share to 26.8 per cent from 24.2 per cent a year ago, while Leyland DAF increased its share to 22 per cent from 19.7 per cent. Volvo and Scania of Sweden have lost most ground in the first quarter.

AWD, the small privately-owned UK truck maker, which took over General Motors' chronically loss-making Bedford truck operations at the end of 1987 and re-entered the UK civilian truck market in late 1988 captured 2.3 per cent of UK truck sales in the first quarter compared with 1.4 per cent a year ago.

Registrations of Japanese Hino trucks, assembled in Ireland, fell to only 85 in the first quarter.

In the van market one of the sharpest falls has been suffered by Nissan of Japan, whose medium van registrations were 37 per cent lower in the first quarter reducing its share of the segment to 4 per cent from 5.5 per cent a year ago.

Ford the dominant UK van market leader, has lost ground as a result of the prolonged loss of production at its Halewood and Southampton assembly plants in the first quarter.

Blueprint for London region set for 1992

By John Hunt, Environment Correspondent

GREATER investment in public transport, job training and low-cost housing is advocated for south-east England in planning proposals to take the region into the early years of the next century.

The strategy was published yesterday by Serplan, the planning organisation representing 143 county, district and borough councils in the south-east including London.

After consultation the document will go to Mr Chris Patten, the Environment Secretary, who will take it into account when drawing up the Government's proposals to be announced next year.

Serplan emphasises the need to prevent congestion in the region and to preserve the environment while maintaining economic prosperity so that the south-east can compete in the single European Community market after 1991.

It envisages the City of London continuing to play a leading role as an international centre of commerce. But it urges that commercial and industrial activity should move from the overcrowded west of the region to eastern areas.

"The emphasis should be on wealth creation rather than more jobs as such. Strategies should focus on making better use of the region's resource capacity in land, labour and capital," says the report

"The aim should be to enable the growth of capacity to be increased in those parts of the region which have experienced decline and whose recovery is slow.

"Implementation of this strategy will also relieve pressures in areas of economic growth which now exhibit symptoms of overheating and congestion."

Authorities are urged to support recycling and encourage industries which are energy efficient and use "clean" non-polluting technologies.

(Shaping the South East Planning Strategy, £5, Serplan, 50/64 Broadway, London SW1H 0DB).

Chemical formula for an investment boom

Peter Marsh assesses the prospects for one of British industry's few areas of export growth

BRITAIN'S chemicals sites are swarming with contractors as the industry's investment boom of the past few years shows no sign of letting up. Many other areas of industry fear a slowdown in capital spending, yet investment in the chemicals sector is likely to be about £2.4bn this year – a 9 per cent increase in real terms on 1989.

The forecast, from the UK Chemical Industries Association, is a rare piece of good news for manufacturing generally.

The chemicals sector is one of the UK's strongest production businesses, with an output of £25bn a year and a good exports record. It had a balance-of-payments surplus last year of £1.7bn.

The predicted investment increase comes after several years of large rises in capital spending by the sector, but assessing it is made difficult because demand for chemicals has slowed. That has been apparent in the past few months not just in Britain but in much of the rest of Europe and the US – all of which are large markets for the export-oriented UK industry.

The deterioration in conditions for chemicals trading prompts two questions. Is the business taking a long-term view and proceeding with investment geared to the better economic climate expected later in the decade? Or is it behaving like a runaway train?

Many chemicals industry leaders in Britain are guardedly optimistic. The sector's export record means that much of its investment in Britain is geared to regions around the world where demand patterns may be stronger or less cyclical.

"Everything we do is based on the international business," says Mr Richard Lines, chairman of MTM, a medium-sized chemicals maker with likely revenues this year of £100m, of which 60 per cent will be overseas sales.

After emerging from a dismal period of low demand and rock-bottom prices in the early 1980s, the UK industry has expanded steadily over the past four years. In recent months, chemicals makers have become anxious because of worldwide weaknesses in manufacturing sectors that are big buyers of plastics and other chemicals products. The sectors include cars, construction and packaging.

Signs of trouble have coincided with overcapacity in Europe and the US in bulk chemicals – the low-value, high-volume end of the industry – caused by the large sums spent on plant development, openings and expansions. That has caused a cut in prices and a slide in profitability of many of the world's big chemicals companies.

The industry has hardly been cheered by some gloomy forecasts which indicate that the weak market for chemicals is likely to persist until 1993.

Many companies reckon they can steer clear of any troughs by moving their product strategies away from bulk chemical products, mostly derived from petroleum, natural gas or basic inorganic materials.

Instead, they are directing their product strategies at so-called speciality chemicals, which are sold at prices of up to several hundred thousand pounds a tonne. That contrasts with the £500 to £1,000 price range of many basic chemicals such as ethylene, an oil-derived gas which is a basic building block for many chemicals, and bulk plastics.

The speciality materials, besides being more profitable, are made in low enough volumes to be easily exported, by air freight where appropriate, and so a UK-manufacturing base is at no disadvantage when tackling world markets.

MTM illustrates the trends. It was formed 11 years ago by Mr Lines, a former executive at Imperial Chemical Industries, Britain's biggest chemicals company, to concentrate on the speciality end of the sector.

MTM is developing a £50m factory development near Middlesbrough in north-east England to make small quantities of high-value chemicals for incorporation in products such as pharmaceuticals and crop-protection compounds.

The confidence at MTM is echoed by Mr Peter Flesher, managing director of Yorkshire-based Allied Colloids, another speciality-chemicals producer. It makes materials for applications including water treatment, glues and paints. Nearly 90 per cent of his company's annual sales of £250m come from overseas.

His company is spending about £18m on investment this year, two thirds of it in Britain and the rest in its foreign manufacturing site in South Carolina in the US.

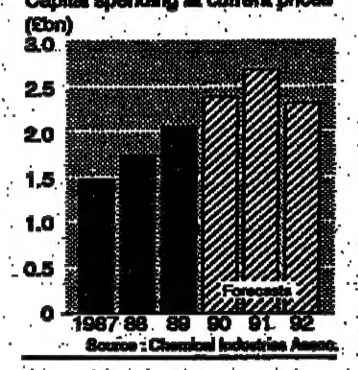
The investments by MTM and Allied Colloids are dwarfed by that of the big guns in the UK industry. Of the planned £2.4bn capital-spending programme by the business in Britain this year, ICI is responsible for £500m while BP Chemicals and Shell are due to invest £350m and £130m.

Most of the spending by the big companies is aimed at the commodity end of the industry. BP is adding extra ethylene and plastics production capacity to its large plant at Grangemouth in Scotland, while Shell is developing its production complexes in Stanlow and Carrington, in the north-west, to focus on plastics and similar materials.

For any mutterings of doubts, most chemicals executives in Britain are bullish about the 1990s. They are anxious to emphasise that the business has so far avoided many of the difficulties that have faced UK manufacturing generally.

UK chemicals industry

Capital spending at current prices (£bn)



Source: Chemical Industries Assoc.

WILLIAM GOODWIN, the magazine journalist who faced a jail sentence for refusing to obey a court order to hand over notes which would identify the source of leaked confidential information about a company's financial position was fined £5,000 by a London court.

Junk bond market claims latest victim

Sanderson sold by US group to Dutch company

By Alice Rawsthorn

SANDERSON, one of the grand old names of British interior design, has become the latest victim of the fluctuating US junk bond market and has been bought by a Dutch company.

It has been bought by Gamma Holdings, the biggest Dutch textile group, for £45m and a £14m loan note.

The Sanderson name is synonymous with the floral furnishing fabrics – designed by William Morris, the 19th century artisan – that hang in many a middle class home. But behind the very British facade of its William Morris curtains and cushions Sanderson has, for years, been the subsidiary of a US company.

Early last year West Point-Pepperell, the US textile group that owned Sanderson, became the butt of a hostile bid from Mr William Farley, the Chicago financier linked to Mr Michael Milken, the "junk bond king" of Drexel Burnham Lambert, the US investment bank.

Mr Farley is a postman's son from Pawtucket, Rhode Island who began his career as an encyclopedia salesman and is now one of the most powerful figures in US textiles. He abandoned his original plan to pursue a career in politics after a flurry of publicity about his private life.

In the mid-1980s, armed with Drexel's junk bonds, he bid for Northwest Industries. He sold off most of Northwest but retained Fruit of the Loom, which has the dubious distinction of being the biggest underwear manufacturer in the US.

Mr Farley soon became infamous in business circles by appearing in Fruit of the Loom's advertisements clad only in its underwear.

Early last year Mr Farley, armed with yet more Drexel junk, mounted a $3bn bid for West Point-Pepperell. He won the bid but has since been struggling to pay the interest on his debts. West Point was already highly leveraged having made its own bid for J.P. Stevens, another giant in US textiles, only months before Mr Farley pounced.

His plans to refinance the West Point deal were hindered first by the demise of the junk bond market and finally by Drexel's collapse. Mr Farley now has no option but to raise cash by selling off West Point's subsidiaries. Sanderson is one of the first to be sold. West Point will receive some cash to reduce its debts and Gamma is now the owner of one of the oldest names in British interiors.

Employers criticise 'inefficient' Government enterprise projects

By Charles Leadbeater, Industrial Editor

THE Government's £180m programme to support corporate research and development is so inefficiently run that the grants paid out often barely cover the costs companies incur applying for funds, according to a highly critical report published yesterday by the Confederation of British Industry, the UK employers' organisation.

The problems have worsened significantly in the two years since the Department of Trade and Industry launched the Enterprise Initiative with the aim of streamlining support for business, says the report.

The report, based on a survey of companies which account for a high proportion of non-military research and development in the UK, comes as Mr Nicholas Ridley, the Trade and Industry Secretary is completing a wide ranging review of the initiatives launched by his predecessor Lord Young of Graffham.

The report says the survey uncovered a consistent picture of an enormous amount of management effort being wasted in complex and protracted grant negotiations with DTI officials.

It said the difficulties had led to: "The strong opinion among some industrialists that the programmes are more concerned with the public relations effect than supporting UK industry." The report added: "The DTI is failing to provide the swift response needed by companies operating in rapidly changing markets," and delays are directly hindering companies.

Most industrialists felt that a significant proportion of the work being funded was not properly exploited and that not enough had been done to disseminate the research results to smaller companies.

The report says some programmes' aims are poorly defined, after being drawn up by committees which were sometimes amateurish. It calls for wide ranging reforms to the programme, including making seedcorn funding available for companies working in key technological areas to enable them to take part in European research programmes.

Adams: change of tone

Adams hints at a 'conciliation'

MR Gerry Adams, president of Sinn Fein – the political wing of the IRA, is appearing on British television tonight in an interview in which he hints at a more conciliatory tone towards the Northern Ireland Office and the majority Unionist community but stops far short of explicitly backing a ceasefire in the short term.

The Northern Ireland Office repeated that it will not talk to terrorist organisations.

Mr Adams appears to suggests that if the Government met Sinn Fein to talk seriously about a solution in Northern Ireland, the IRA may call of its terrorist campaign. But the IRA would "maintain its right to engage in armed struggle until its objectives were found". Mr Adams also hints that Sinn Fein might consider backing a federal structure or devolved Government as part of its vision of a united Ireland in order to reassure Protestants in the North.

New tax cuts in Manx budget

By Ian Hamilton Fazey in Douglas, Isle of Man

THE ISLE of Man government yesterday proposed its fourth successive tax-cutting budget as the island's economy continued to grow at more than 10 per cent a year.

Taxation on the island off Britain's west coast will stay at 15 per cent standard and 20 per cent higher rate, but personal allowances are to rise by 25 per cent to £5,000, fully transferable between husband and wife.

Mr Donald Gelling, the new finance minister who succeeded the sacked Mr David Cannan during the week before Christmas, said that the budget's main aim was to spread more of the benefits of the growing economy to lower-paid or younger island residents.

The corporate tax rate stays at 20 per cent. The only concession to industry is an increase in capital allowances for developing better tourist accommodation.

A surplus of £7.25m is forecast for the current year after putting £10m towards new capital projects and £6m to reserves.

The latter will rise to nearly £58m after being at only £1.6m in 1981, when the island's economy was struggling and its population in decline.

As a self-governing Crown dependency, the Isle of Man developed dramatically from the mid-1980's after it reformed and tightened supervision of its financial services industry in the wake of the collapse of the Savings and Investment Bank in 1982 with £42m of depositors' funds.

Observer, Page 18

BRITAIN IN BRIEF

Engineers win key working hours deal

LUCAS INDUSTRIES said that it had agreed tentative deals on 37-hour weeks at two plant where workers are holding strike ballots over hours reductions.

The concession represents a significant advance for the engineering unions' national campaign. Lucas had previously been one of the strongest opponents among employers to a two-hour reduction in the standard 39-hour week in engineering.

Following agreement of 37-hour deals at British Aerospace, the unions had declared Lucas as their prime target for winning shorter weeks.

Stock Exchange computer plan

London's International Stock Exchange has written to all its member firms outlining its plans for developing the market's range of trading services. Its paper, *The Way Forward for ISE Trading Services*, follows a discussion paper published a year ago which set out a proposed strategy for developing the range of electronic services provided to users of the market. A major part of the strategy, explained in the latest paper, is for a single electronic communications link between the exchange and its members to replace the current web of incompatible systems through which the market and its users communicate.

Education reforms urged for teenagers

AN OVERHAUL of the education received by 16 to 19-year-olds has been proposed by the National Curriculum Council which will require all students to acquire "core" skills in six subjects.

The proposals are aimed at breaking down the gulf between academic and vocational education, and include measures to make it easier for students to transfer between traditional A-level courses and a course of vocational study.

Development of the curriculum was prompted by mounting criticism from business and industry that the British education system was failing to produce graduates with the requisite skills for current needs.

Next pushed £46m into the red

JOB CUTS, high street store closures and stock write-offs cost Next more than £75m last year, pushing the UK fashion retailer and mail order group £46.7m into the red, compared with 1988's pre-tax profits of £62.3m.

Next wrote off £53.5m of rationalisation and reorganisation costs – about £10m more than was forecast last October when Next announced a drop in first half profits. The group is recommending a reduced final dividend of 2p a share, making 4.7p (7.4p) for the year.

Mr David Jones, the company's chief executive, said that restructuring had cost more than the expected £50m-£55m because the group had taken account of the increasingly difficult retailing climate.

'Millions' suffer from poverty

A STATUTORY minimum wage, increases in child benefit, and reform of the taxation system to help the poor are called for today by the Child Poverty Action Group in a book published to mark the 25th anniversary of the charity.

Ms Ruth Lister, author of 'The Exclusive Society – Citizenship and the Poor', claims that "millions of Britons" are barred from being full citizens because of poverty.

"Poverty spells exclusion from the full rights of citizenship in the nation's civil, political, and social spheres and undermines people's ability to fulfil the private and public obligations of citizenship," she adds.

The book calls for a 17-point Charter for Social Citizenship to relieve poverty in Britain.

Guinness jury told of diary

TWO former members of Mr Ernest Saunders' staff at Guinness gave conflicting evidence about a diary Mr Saunders is alleged to have ordered to be destroyed.

Mrs Margaret McGrath, his personal assistant, said she destroyed his secretaries' diary on his instructions before he left Guinness.

Miss Lucy Bayliss, Mr Saunders' junior secretary, recalled seeing the diary a week or two after Mr Saunders left.

Mr Saunders, Guinness's former chairman and chief executive, Mr Gerald Ronson, Heron group chairman, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, deny charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Retail bank profits down

The Co-operative Bank reported lower profits for 1989 as tougher competition in the retail banking business took its toll. The Manchester-based institution said its operating profits were £20.2m, down 14 per cent from £23.6m the year before.

Profits up at Kuwait bank

The United Bank of Kuwait PLC, the UK bank owned by Arab interests which is a prominent lender in the UK mortgage market, made a pre-tax profit of £4.1m last year, up from £2m the year before. This was after provisions of £2.9m against sovereign debts.

FT LAW REPORTS

Solicitor's breach of duty does not cause loss to dispossessed tenant

STRATTON LTD v WESTON
Chancery Division (Cardiff/Bristol): Judge Hywel Moseley QC sitting as a deputy High Court judge: March 22 1990

A SOLICITOR who knows his client's landlord is in receivership and, in breach of duty, fails to register a concluded agreement for a new lease so that security of tenure is lost on sale of the property, cannot be said to have caused the client's loss on going out of possession if the receivers would have sold free of the agreement had it been registered, in the exercise of their powers under a prior equitable mortgage.

JUDGE HYWEL MOSELEY, sitting as a deputy Chancery judge, said that 15 Broad Street, Lyme Regis, contained two lock-up shops on the ground floor. One was occupied by Stratton for its hardware business, and the other by Tomlin for its electrical business.

Stratton occupied its shop under a 21-year lease made in 1961, due to expire on March 25 1982. In 1978 Tomlin acquired the freehold reversions and became Stratton's landlord.

By March 1982 when the lease expired Tomlin had only been landlord three and a half years, less than the five years needed to have the right to oppose grant of a new tenancy under section 30(1)(g) of the Landlord and Tenant Act 1954. It was important for Stratton to obtain a new lease for as long a term as possible, since on the next occasion Tomlin would be able to oppose the grant on grounds that it intended to occupy the shop itself.

By notice dated September 16 1981 Tomlin terminated Stratton's tenancy on March 25 1982 but stated it would not oppose grant of a new tenancy. Stratton's solicitor, Mr Weston, notified Tomlin that it would be unwilling to give up possession on March 25. The next step would have been an application to the County Court, not before November 16 1981 and not after January 16 1982 (see section 29(3)), but the parties agreed an extension of time to March 31 1982.

The application was made to the County Court on March 30. In the meantime negotiations were conducted for an agreement for a new 21-year lease to begin on March 26 1982.

The terms of the agreement were set out in a letter from Stratton's valuer to Tomlin's valuer, dated January 4 1982, and were accepted in a reply dated January 14. Mr Weston had by January 14, processed an agreement which gave Stratton security of tenure for 21 years.

Such an agreement gave the lessee an equitable lease (*Walsh v Lonsdale (1882) 21 ChD 9*).

In the case of unregistered land that equitable lease was void as against a purchaser unless registered under the land Charges Act 1972 as an estate charge, even if he had notice of the charge.

Mr Weston appeared not to have known or to have forgotten that, until it was pointed out to him in August 1982 when it was too late to register.

On February 11 1982, before the new lease had been drafted and sealed, Mr Weston was told that Tomlin had gone into receivership. He believed that since there was a concluded agreement nothing could prevent grant of the new lease.

His last chance to register was on February 18 1982. The following day prospective buyers, Ford & Sons, obtained an official search certificate from the Land Charges Register showing no subsisting entries against Tomlin or the receiver.

The certificate was conclusive in favour of Fords that there were no land charges registered against Tomlin on February 19. It protected Fords until March 12 from any subsequent registration of the lease agreement, provided they purchased the freehold reversion before then. They did. The freehold reversion was conveyed to them by Tomlin's receivers on February 23.

That conveyance was a disaster for Stratton. Because the agreement for lease had not been registered as a land charge, it was void against Fords. But that was not all. Under section 28 of the 1954 Act, any concluded agreement between landlord and tenant for grant of a new lease took the old lease out of the protection of the Act and terminated it on the date agreed for commencement of the new lease.

In landlord and tenant proceedings the Court of Appeal decided on November 8 1985 that the agreement between Tomlin and Stratton was a concluded agreement to which section 28 applied, that consequently the 1961 lease expired on March 25 1982, and that Stratton was disqualified from applying to the court for a new lease.

So, because of the concluded agreement, Stratton lost the right to apply for a new lease; and because of non-registration, it was not entitled to enforce the concluded agreement. It lost its security of tenure and went out of possession.

On November 27 1958, nearly 20 years before Tomlin acquired the freehold reversion, it granted a security to National Provincial Bank, now National Westminster. It granted a fixed charge over "freehold property now or at any time during the continuance of this security belonging to the mortgagor." In 1978, on Tomlin's acquisition of the freehold reversion, the Broad Street premises became subject to an equitable mortgage by virtue of the 1958 deed.

The 1961 lease came first, followed by the equitable mortgage in 1978, followed by the agreement for a lease in 1982.

The receiver was appointed under the 1958 deed. Stratton began proceedings for professional negligence against Mr Weston on December 16 1987. It alleged that he failed to act with the requisite degree of skill in that he failed, once he knew about the receivership, to register the agreement for a lease as a land charge.

The reasonable solicitor would have been alarmed by the news on February 11 that a receiver had been appointed. He would know that one of the functions of a receiver was to sell property and account for proceeds of sale, that agreements for a lease were registrable, and that if the property were sold before the agreement for lease had been registered, Stratton would be in deep trouble. He would also know that the cost of protecting Stratton was minimal – only £11.

A reasonably competent solicitor would have registered the agreement at once. He would have done so well before February 17. By failing to register Mr Weston failed to observe the standards of the reasonably competent solicitor and was in breach of duty.

It was argued, however, that registration would have given no protection to Stratton. It was said that the bank as mortgagee had power under section 104 of the Law of Property Act 1925 to sell free from the agreement for lease subsequent in priority to the mortgage, and would have sold the premises to Fords free of it. Registration would have served no purpose.

The court reluctantly concluded that the argument was well-founded and was a complete answer to the claim.

Stratton must prove that its losses were caused by Mr Weston's breach of duty, and that it would not have suffered loss if the agreement had been registered.

Once the 1958 mortgage had been proved, and it had been proved that it created an equitable mortgage of the premises and that the bank had power to sell free of the agreement for lease even if registered, the court could infer from the facts that the bank *would* have sold free from the mortgage and that the loss would have been suffered even if the agreement had been registered.

It was not necessary for evidence to be called as to how the bank would probably have reacted. A judge was entitled when considering causation to take into account how the parties would probably have reacted in given circumstances without hearing evidence directly on the point.

The bank would probably have agreed to sell as mortgagee and would have sold free of the agreement for lease under section 104. The loss would have occurred even if Mr Weston had not been in breach of his duty of care. Stratton had not proved that the loss would not have occurred but for the breach of duty. Though Mr Weston was in breach of his duty of care, his breach of duty had not caused Stratton's loss.

For Mr Weston: Thomas Putman (Wansbroughs, Bristol).
For Stratton: Alison Powell (Porter Bartlett & Mayo, Yeovil).

Rachel Davies
Barrister

JOBS

How competitiveness affects people's work

By Michael Dixon

YOU CAN try it yourself if you go to the Exploratory in Bristol. The Exploratory is a place where youngsters of all ages can learn about science by hands-on experimenting with devices that illustrate important principles.

One consists of two beach balls hanging a few inches apart on rods which let them swing sideways but not back and forth. The task is to blow the balls farther apart with a variable-speed hair-dryer.

When you try, the result runs counter to commonsense expectations. Instead of moving apart, the balls come together. The harder you blow, the more forcefully they collide.

The principle that they illustrate is Bernoulli's law. As it is spelt out in any good encyclopaedia, all I will say about it is that if the balls did move apart rather than together, much in life would be different: aeroplanes wouldn't fly, for instance.

My concern in raising the matter is not what happens in the experiment, but the reaction of the people who try and are plainly surprised by it. The bulk just move on, evidently finding nothing remarkable in experiencing the opposite of what they expected. Only a very few seem to have the cast of mind that sees significance, not to mention challenge, in having their commonsense and intuition contradicted.

It is nevertheless a cast of mind which, under the name "vision", is reputedly more and more required in top executive positions. So I naturally assume that Jobs-column readers, who are clearly ambitious, possess it in unusually large measure.

Either way, though, a good test of whether I am right will be your reactions to what comes next. For it concerns something that intuition and commonsense take as self-evident: that one of the main spurs to performance is competition. Accordingly there is a wide belief that the best way to get good results is to employ workers with competitive attitudes and tell them they will be measured against the deeds of their counterparts in rival operations.

Certainly I thought as much until soon after mid-day last Friday while Janet Spence, one of America's most eminent psychologists was addressing the British Psychological Society's conference in Swansea. Her subject was workaholism, which she said fitted Mark Twain's comment on the weather – although it's talked about a lot, nobody seems to do much about it.

In her role as Professor of Psychology in the University of Texas at Austin, she is one of the rare exceptions. For example, her research has shown that *workaholic* is not a fitting term for everybody to whom work is by far the most important thing in life.

Professor Spence has found that, while all people of that sort have high output, they fall into at least two categories. What marks the difference is whether they work because they feel compelled to by something beyond their control, or because they thoroughly like doing what they do.

Enthusiasts

Compulsive types, who can sensibly be termed workaholics, typically obtain little enjoyment from their job. The other kind of high producers, *work-enthusiasts*, get a lot. They are also less liable to job-stress and illnesses.

Even the enthusiasts, however, are more stress-prone and certainly no healthier than both of the two types of people who feel neither involved in their work nor driven to do it. One set are high in enjoyment, perhaps because they are always counting the hours to what Janet Spence, with a shrug of the shoulders and in a voice reminiscent of Katharine Hepburn, called "Miller time". The nearest English equivalent seems to be the "happy hour", the evening period when some bars cut their prices.

The second set of modest producers are markedly low in enjoyment in addition to everything else besides. The professor's name for them is *Couch Potatoes.*

What brings competition onto the stage is her studies of the factors linked with quality as well as quantity of output. With colleagues at Austin, she has developed a three-scale measure of people's attitudes to work.

The first scale assesses their involvement in terms of conscientiousness and the like. Scale two measures their feeling of mastery over their job. A noteworthy point about mastery is that people high in it, while liking tasks needing skill and persistence, don't like them to be taxingly difficult. They pefer to feel relaxed and confident in what they do.

Competitiveness is gauged by the third scale. Those scoring high on it typically feel annoyed by being outperformed by someone else, try harder when rivals are breathing down their neck, and generally set great value on beating people at things.

Over the couple of years since proving the measure is sound, the Texas researchers have applied it to three different groups. As is usual with academic psychologists, they began with their own kind: university students and teachers of psychology.

The students' quantity of effort was gauged by the hours of study they put in, and its quality by their grades at the end of their course. Teachers' quantity was gauged by the number of articles they published, and quality by how many times their work was cited in other academics' publications.

Judged by quality and quantity combined, the results for both groups were essentially the same. The better the performance, the higher the involvement and mastery – but the *lower* the competitiveness. By contrast, poorer performers were higher on the competitive scale than on the other two.

"That maybe suggests where the value of being competitive lies," Janet Spence cawed. "When you're no great shakes at something, it at least gets you out of bed and functioning."

She went on to explain that, knowing the outside world's reluctance to accept that students and academics do any real work, she had repeated the exercise on salespeople with a big United States pharmaceutical group. In their case, quality was gauged by bonus earnings reflecting, among other things, success in getting repeat business. The pattern was the same yet again.

So what is to be made of the results?

Well, if any readers choose to disregard them in favour of what they see as commonsense, that is their look out. But it would be a waste of time for them to visit the Bristol Exploratory.

Even for the less purblind, the findings beg numerous questions the professor's research so far leaves unanswered. For instance, the competitiveness linked with poorer performance seems to be solely the person-to-person kind. The same may not apply to competitive attitudes directed, not at other individuals, but at rival organisations as a whole.

Nevertheless, to the Jobs column's mind, there is one thing that can safely be said about the belief that people inevitably work better under competition than they would do otherwise. The best word for it is the name of the two principal elements in the Exploratory's illustration of Bernoulli's law.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

MANAGEMENT

UK retailing

Slaughtering sacred cows beefs up BhS

Maggie Urry explains how 'tweaking' has helped improve sales

David Dworkin has instant recall of the date he joined BhS, the UK chain store group – November 13 last year. Only a few months after his arrival, BhS's total sales are running at 20 per cent above those of a year ago, and this at a time when retailers generally are moaning about the poor state of trade. Within the whole, sales of womenswear are running at 35 per cent or more ahead.

It sounds too much like a miracle. But Dworkin, an American, says that "we are not talking about brain surgery." So far he has been making simple changes which provide "quick wins". He describes the first phase of action at BhS as "tweaking" and reckons this can boost the chain's turnover significantly.

Already, he claims, this has had an enormous effect on the morale in the company. "Many of the store managers have never seen a lift in sales. It is a new feeling for them. The pendulum has swung," he exclaims.

Staff at BhS now wonder about the calm and softly spoken Dworkin: "We don't understand how a man who speaks so quietly makes us run so fast."

BhS – once British Home Stores – was merged with Habitat Mothercare in early 1986 to form Storehouse. The plan at the time was to jazz up the dowdy but still significantly profitable chain with a touch of the Sir Terence Conran design flair.

Something went wrong in the process, and when Michael Julien was brought in as Storehouse chief executive in June 1988, BhS's problems had to be re-addressed.

Its profits have fallen from a peak of over £70m at the operating level to £40m in its last financial year to March 1989, with analysts forecasting at least a halving of that for the current year.

Thus Dworkin came to a business which was already in the throes of reorganisation. He admits that he was taking a risk in giving up his career in America, which includes experience with US retailers such as Nieman Marcus and Bonwit Teller, to come to BhS, but says that he was not "totally crazy"; it still had a legacy of strengths – its well-known name, the good locations of most of the 134 stores, annual turnover at around £600m which is large enough to build on, and which demonstrates "there must be some appeal" in BhS. And its electronic information system is used by some US retailers and is considered by Dworkin to be one of the best.

Further, on taking his first look at retailing in the UK and comparing it with his US experience, Dworkin was amazed at how many customers there were in the shops. In the US, he says, the first struggle is getting people into shops. In the UK, with fewer shops and greater population density, there is a higher level of customer traffic already.

Dworkin had done his homework before coming to BhS; "it was no surprise to me that it was run in a very antiquated way for a retailer," he says. Some things he found astounding – but readily reversible.

He initiated the setting up of a workshop which came up with a mission statement. This starts: "The BhS mission is to be the first choice store for dressing the modern woman and family."

That has been followed up with an activity value analysis project (AVA) which will look at every aspect of the business to see what it contributes. Already Dworkin has plans to get rid of the 16 warehouses which are currently holding merchandise, so speeding up the supply chain, and saving costs.

At the start of the AVA exercise two slides were presented. The first said "there are no sacred cows." The second, "there is no bullshit."

The project will be complete in mid-May and is expected to bring cost savings rapidly.

The first phase is to get the business up to an acceptable profit level – though Dworkin admits he has no idea what the true base line for the business will turn out to be.

Dworkin reckons he can "get the business into good shape quickly and cheaply". There will be a need for some capital spending on new fixtures in the stores, but nothing more serious since much had already been spent.

The shops have been tidied up and some of the clutter caused by too many signs removed. The policy of putting other retail brands – Storehouse's own or outsiders – into the stores has started to be reversed. Dworkin insists on "harmony" which includes "continuity under one roof." The concessions, he says, "do not have a place in the stores."

His first concern was the amount of merchandise that was sitting in stock rooms and warehouses instead of being put in front of customers. This has two elements – merchandise that did not sell and was shoved into stock rooms; and new merchandise that had arrived at the back door but had not yet been put out on the shelves and racks.

Storehouse had already recognised the problem of old stock – which in the past had been trotted out again in subsequent seasons – with a savage new policy on writing down stock that was not selling. But, says Dworkin, though Storehouse "intellectually understood that something was wrong," it did not have what Dworkin calls a "factory floor obsessiveness" – a determination to push goods through the stores.

Before Christmas the group cut prices of stock which had not been selling well to a level where customers did buy it and Dworkin decided, against the advice of his staff, to put spring ranges – which had arrived and were waiting in the stockrooms for spring – out on the floor. The first sacred cow had gone.

The move worked; already the shops are demanding more stock. That poses a problem in that usually British shops order most of a season's merchandise in advance. BhS has quickly had to find some new sources of stock. Here Dworkin's American experience came in handy.

Alan Harper

David Dworkin: "The pendulum has swung"

A trip to New York found a range of merchandise that could be delivered within four weeks, and would fit into the BhS price ranges and its margin structure.

This presented a cultural challenge for old hands at BhS. The merchandise could only be received in so short a time if the existing labels, with someone else's brand name, were kept in – changing to BhS labels would add another three weeks. Dworkin decided that that would be too long to wait, so another sacred cow has been slaughtered.

Dworkin is bemused by the British system of classifying people into social classes – A, B, C1, C2 and so on – preferring to think in terms of attitudes and lifestyles. These days, he reckons, shoppers are more ageless and classless, and too tight a targeting of a certain age group or class is merely "painting yourself into a corner."

He plans to rework the merchandise strategy to aim at "end user groups". This will involve looking at sub-sections of ranges – leisurewear, for instance, includes four or five lifestyles, Dworkin says.

In the past BhS has worked on what he calls "dumb broad categories" – a dress buyer might have been told to go out and buy dresses, without a thought as to what kind of dresses or how they would fit into the store. By looking at what is selling, the chain can understand its customers better, Dworkin believes.

So far Dworkin has not closed any stores, preferring to see whether the worst stores will respond to the tweaking treatment. He is pleased with the "tweaking" at the Putney store – which would have been a candidate for closure if he had simply closed the 10 worst shops. It is a small store which was trying to offer both clothing and homewares. By taking out the homewares, he says, the clothing ranges could be expanded, with, he says, great success.

There is a lot of "fallow footage" – space wasted in stockrooms, for instance – which will be set to work. And while the goods on offer already look more attractive, picking the right merchandise, he says, is the easy part and only the beginning.

Service encounters

The importance of the company/customer contact

Simon Holberton on the implications for training

"We always travel with our teddy bears. When we got back to our room at the hotel we saw that the maid had arranged our bears very comfortably in a chair. The bears were holding hands."

"I needed a few more minutes to decide on dinner. The waitress said: 'If you would read the menu and not the road map, you would know what you want to order'."

No prizes for guessing which company is likely to get repeat business. These two stories, from 700 collected and analysed by three American academics, highlight what marketers in service industries the world over should already know: that the way service is delivered is fundamental to success.

As the stories they collected in the US demonstrate, Mary Jo Binter, Bernard Booms and Mary Stanfield Tetreault focus on what they call the "service encounter", or the moment of interaction between the customer and the company.* To them this is the most important element in the delivery of a service, be it in a restaurant, hotel, airline, a bank, or wherever the service provided involves human contact.

Often "that interaction *is* the service from the customer's point of view," they observe.

Binter, Booms and Tetreault's researchers collected 699 relevant stories from 375 people who used restaurants, hotels and airlines over a three-week period. The sample produced 347 satisfactory and 352 unsatisfactory encounters.

The authors subjected these incidents to a form of content analysis known as "critical incident technique" (CIT). They classified the incidents into 12 categories, including the way employees respond when services are unavailable, when they have to deal with customers who have made a mistake, and when they delivered out-of-the-ordinary service.

So what do the results tell us about the sources of customer satisfaction or dissatisfaction and what are the relevance and implications for managers? Some of the findings are striking.

Of satisfactory encounters, 23.3 per cent related to the way employees responded to a failure of their company's service. When an employee compensated a customer, by giving him or her a free drink or a better hotel room, the customer frequently remembered the incident as very satisfying. "It suggests that even service delivery failures can be remembered as highly satisfactory if they are handled properly."

The highest proportion of satisfactory encounters (43.8 per cent) were the result of customer delight with unprompted and/or unsolicited employee actions. "Customers remember those occasions when they receive special treatment by the employee."

Managing the service encounter involves much more than just training employees to say "have a nice day" or answer a telephone on or before the third ring

The highest proportion of unsatisfactory encounters (41.5 per cent) was also attributable to unprompted or unsolicited employee action. This leads the authors to assert: "The importance of spontaneous interactive quality in service delivery cannot be over-emphasised."

More than 40 per cent of all incidents reported were the direct result of unexpected treatment by an employee; the importance of how the service is delivered is underlined.

The implications of this for managers are manifold and require changes not only in employee relations but a greater awareness of customer opinion. The academics note that managing the service encounter involves much more than just training employees to say "have a nice day" or answer a telephone on or before the third ring.

They argue that front-line employees are not trained to understand customers and do not have the freedom and discretion needed to relate to customers in ways that ensure effective service.

"The data from our study suggest that the ability of an employee to make a proper response is largely a function of the employee's knowledge and control. The CIT enables managers to identify what knowledge is needed and what control is required as well as providing a basis for determining which is more important for a given type of encounter," it says.

Binter, Booms and Tetreault stress that employees at the sharp end of service delivery need to be given more power to take decisions. Giving employees more control empowers them to act and enables them to solve problems.

Ringing invocations along the lines of "the customer is always right" (he isn't) and "we put service first" are seen as insufficient. Also, such open-ended criteria leave employees in an ambiguous position.

The authors note that in the US, service industries are growing in importance. But employees who have customer contact are often underpaid and under-trained and this results in low levels of motivation, job dissatisfaction, high staff turnover, and ultimately, dissatisfied customers. The same could be said for the UK.

The implications for management are clear; greater care in recruitment is needed to find those individuals who possess a service orientation. Then comes training, motivating and rewarding those who exhibit the appropriate behaviour.

Although they do not mention it, the CIT analysis they discuss could also prove a powerful tool in training.

** The Service Encounter: Diagnosing Favourable and Unfavourable Incidents. Mary Jo Binter, Bernard Booms and Mary Stanfield Tetreault. Journal of Marketing, Vol 54, January 1990.*

INTERNATIONAL APPOINTMENTS

ARTS

TELEVISION

Civilisation? It's all Greek to me

Christopher Dunkley looks at a series tracing the legacy of Grecian values in the modern world

Tomorrow night Channel 4 screens the *fourth programme* in its 10-part series *Greek Fire*. The episode is called "Sex" and it begins with pictures of a ruined Greek temple and a reference in the commentary to Plato's re-telling of the Greek myth about human beings hunting endlessly for the other half to which each was originally attached.

From that it moves on to a modern gymnasium ("naked exercising place" in the original Greek) and makes the link between today's cult of the body beautiful and that of the ancient Greeks. Then there is a comment from a woman described in a caption as "Feminist Critic," and another from Dr Oliver Taplin, consultant for the entire series.

The picture cuts to a gay rights march which is followed by the suggestion from George Steiner that those who oppose Clause 28 should mount public readings of Plato's *Symposium* and challenge the authorities to prosecute: "Because these are among the wellsprings of all imagining and understanding in the west, and if this makes us far more alert to the richness and cultural complexity of a homoerotic order of feeling, then surely its importance" (the *Symposium's* presumably) "is still very great."

The programme moves on to a clip from the film *Maurice*, a reference to E.M. Forster, and a contribution from Sir Kenneth Dover on precisely how the ancient Greeks regarded homosexuality. Explanation in voice-over of Greek hostility towards sodomy and lesbianism is accompanied by more gay rights march footage, this time in slow-motion.

We return to Steiner who says that "Aristotle's opinion that women have no souls seems to me on mature reflection probably extreme..." and then cut to David's painting of *The Death Of Socrates*. Rather less than 10 minutes has passed since the end of the opening credits.

The idea of the series, encapsulated in the title, is a fascinating one: Greek fire was a combination of nitre, sulphur and naphtha used by the ancient Greeks to attack enemy shipping. Its peculiar quality was that it would continue to burn in water; flourishing, in other words, even in the most hostile environment, just like so much of the culture of ancient Greece which continues to influence so many societies so profoundly to this day.

Sex with a Grecian bent: Rubens' depiction of The Judgement of Paris picks up the cult of the body beautiful

Although half an hour is a pretty short time to deal with topics as complicated as the Greek bequest in architecture, science, or politics, there are many points that stay with you after a viewing of the entire series. The very opening of Programme 1, with the *Apollo* missile taking off on its space *odyssey* carrying its crew of astronauts, establishes the central theme very neatly. You may have known in a theoretical fashion that Greek statues were painted in realistic colours, but it is astonishing to see how garish and vulgar one of those glorious marble nudes looks to today's viewer once you add a Mediterranean tan and blue eyes.

No doubt we should be glad and grateful that we still have, in British television, people such as Revel Guest, the independent producer who found co-producers in the US, Greece, Holland and Sweden, to make this series possible, and who has the aim – almost vocation – to make such subjects accessible not to hundreds of people but to hundreds of thousands, even millions in the long run perhaps. We should also acknowledge our good fortune in having networks in this country which will still transmit such material at peak viewing time in mid evening.

Yet that is not reason enough in my view to justify the manner in which these programmes have been made. Nothing is allowed to last more than about 45 seconds, whether talking head, film clip, or assertion in voice-over. Moreover there is an infuriating insistence upon the use of as many forms of communication as possible simultaneously: music is piled on commentary which is dubbed over film clip inserted into interview.

Obviously much thought has gone into the assembly of these dense packages, and the producers may argue that if you watch and listen very carefully (and particularly if you watch more than once) you will derive more than you ever could from a conventional series. Once in a while the multi-layering works. There is a moment in Programme 1 when Steiner quotes Aristotle to the effect that if your town is so large that a cry for help at the centre cannot be heard at the city gate, then you are in trouble. As we hear this we are, thanks to the pictures, hurtling along the express track of the New York subway and thoughts about the growth of cities, cries for help, mugging, and *Hades* crowd on top of one another.

But for every rare moment of that sort there are a dozen where tricksiness intrudes for its own sake – or in the misplaced hope, presumably, of averting boredom. In Programme 6, on architecture, a comment about Polyclitus and poisoned milk is accompanied by a picture of a milkman taking one bottle of milk into a towerblock lift. Trying to work out why, you lose track of the script.

In the final programme, on war, the soundtrack expresses thoughts about the advantages accruing to men who co-operate in fighting while we watch pictures of a rugby match, Sandhurst cadets, and Greek soldiers. Sir John Hackett and an Oxford don offer their ideas, then we have a quick glimpse of the Eton wall game, a word from Steiner, another from Sam Fuller, and finally a second Oxford don who speaks to us while flickering archive film of World War I fills the screen behind him.

Beyond all this frenetic activity, one feels, is a desperate producer who has seen the *Network 7* "yoof" programmes with their all-singing, all-dancing approach to programme making, and their preoccupation with "multimedia" communication (you know: lemon yellow captions on a lime green background, shown sideways against a strobe-lit rock group), and has swallowed hook, line and sinker all that panic-stricken guff about the "three minute culture" which maintains that nobody is capable of concentrating on anything any longer.

The fear seems to be that if the producers do not keep us perpetually agog, like babies mesmerised in their cots by multi-coloured mobiles, we will all slope off and play bingo. Much the same attitude has spoiled BBC2's series about television commercials, *Washes Whiter* (though admittedly Episode 1 was even more ruinously affected by a script which was intent upon using hindsight to score points for feminism against the normal attitudes of the '50s and '60s).

Washes Whiter habitually squeezes its interviewees down into a "letterbox" slot and then runs its own name above and below the face with the name of the interviewee superimposed, so that the screen is crammed with two lots of printing at the top and two lots at the bottom.

Clearly this has much to do with producers trying to impress one another and little, if anything, to do with pleasing the viewer. The producers can hardly imagine that the viewing figures for *Washes Whiter* will be improved by such trendy rubbish. The producers of *Greek Fire*, on the other hand, may very well believe that their busy-busy technique will improve their ratings. I doubt it.

Programme makers are terrible creatures of fashion, and would moan and raise their eyes to heaven at the suggestion that *Greek Fire* would be more effective if made in the style of Kenneth Clark's 1969 series *Civilisation*, with one knowledgeable presenter delivering a well-written script from a few carefully chosen locations. Yet that style would probably win an audience just as big as the present one, if not bigger.

The modern belief that viewers of *You Bet!* and *Emmerdale* can only be lured into watching a series about the culture of ancient Greece by using lots of music, zappy cutting, and 45-second sound-bites is, I believe, wholly misplaced.

Christopher Dunkley

I Have Been Here Before

PALACE THEATRE, WATFORD

J.B. Priestley's time play *I Have Been Here Before* concerns a dour successful middle-aged Yorkshire businessman whose marriage has gone wrong. In 1937 the part was created by Wilfrid Lawson. Priestley claimed he put more of himself into Walter Ormond than any other character. He is played here by Brian Protheroe with all the requisite Priestleyesque dourness, a sombre brooding individual who sits checking through balance sheets and simultaneously knocking back malt whisky by the tumbler, while his wife (Melanie Jessop) cannot take her eyes off a young headmaster (Philip Franks) who is staying at the same inn, miles from nowhere on the moors.

What a way to spend a fine Whitsun weekend! Ormond is on the phone half the time (an old tulip model, the pub still has a single digit number) to his wretched subordinate. The wild Yorkshire landscape which in the old days would have been half-glimpsed through the window of the residents' parlour where all the action, such as it is, occurs has here – in the setting designed by Norman Coates – a striking presence of its own. Its vastness tends completely to overwhelm Matthew Francis's production. A blue mist rises over a perspective of grassy hillocks (pity the budget did not run to the odd sheep) which surround a domestic interior open to earth and sky.

Such realism of environment is of course fully justified by the sense of human beings isolated in a mysterious cosmos (Priestley had been reading Ouspensky, alas) which the *play tries to generate*; but it does present pragmatic difficulties for the cast when they have to move to the bar or the upstairs bedrooms, presenting them with a little assault course to cross first.

It comes into its own only briefly in act two when teacher and wife go off on a hike. The tranquillity of the interior is broken by the presence of the highly-strung landlady, well conveyed by Elizabeth Rider, bossing her old Dad (Geoff Oldham) around and even occasionally giving the customers the sharp edge of her tongue. But more disruptive is the presence of the mysterious Dr Görtler who arrives like the catastrophe of the the old comedy to play havoc with them. Far from being permitted to get on with their adultery and their accounts in peace, they have to listen, until the landlady finally boots him out, to his philosophy of dejà vu and its implications for their own lives.

John Woodvine thumps home the Herr Doktor's points in a strong Austrian accent backed up by a private system of semaphore. If the idea was that he should appear incongruous it certainly succeeds. However, his big act three scenes of confrontation with Ormond come off well and reveal the hidden agenda of this rather pretentious but nonetheless moving play.

Anthony Curtis

Die Meistersinger

COVENT GARDEN

On Monday, in the current revival of Wagner's *Die Meistersinger* at the Royal Opera, the Canadian tenor Ben Heppner took over the role of Walther from the ailing Reiner Goldberg. As Max Loppert reported from La Scala not long ago, Heppner is a much-needed boon to the Wagner-Strauss repertoire. In fact, since he won the 1988 Metropolitan Opera Auditions, his trumps have been the key Jess Thomas roles of twenty-odd years ago: Walther, Lohengrin, Strauss's Bacchus. Barring accidents, he is set fair to become indispensable: opera *Intendants* everywhere must take care not to stretch him to the Thomas burn-out point.

The voice is generous, warm and dignified, with confidence-inspiring reserves; dramatically flexible, too – employed to intelligent theatrical purpose, not just to polishing the showpieces. What Heppner does with his music is seamlessly united to what he makes of his words: either he's bilingual, or he enjoys the assistance of a superlative operatic coach. In any case his precocious operatic maturity is a great musical pleasure. For his age Heppner is excessively stout, a pity these days for a tenor predestined to romantic young heroes. Serious audiences will readily forgive him, but unless there's unimpeachable medical evidence that the voice would suffer he ought to do something about that.

His judicious subtlety in "Am stillen Herd" was exemplary, and immediately affecting. He distinguished the crucial Prize-song occasions – first the spontaneous, provisional draft, and then the confidently elaborated contest-version – quite beautifully, in ways that hardened opera-goers expect only from clever singer-actors who need to compensate for indifferent voices. If we missed the ultimate compelling ring in Walther's full-dress challenge, that was probably because the conductor Christoph von Dohnányi's views about where to press on and where to relent were manifestly at odds with Heppner's.

No conducting prizes there: it's the knightly tenor who should triumph, not the orchestra, and if only Dohnányi had listened to Heppner's first verse he could have anticipated – but rudely didn't – what the singer required for the second. Elsewhere the orchestral part was of course ultra-*soigné*, and it was a relief to hear in the Prelude that he had coaxed the brass, grossly dominant on the first night, into faultless balance.

David Murray

Finta giardiniera

BROOKLYN

The Brooklyn Academy of Music (BAM) is New York's showplace for celebrated international productions: among them Peter Brook's *Dream* and *Mahabharata*, the Arts Florissants *Atys*, *Nixon in China*, the Welsh National *Falstaff*, and most recently the Brussels *Finta giardiniera*, first staged in 1986, and now brought over here for three performances. It was given in the Majestic, BAM's latest acquisition: an old 900-seat house that had fallen into dereliction and was cunningly semi-restored (peeling paint and crumbling plaster carefully retained) to house the *Mahabharata* in friendly fashion.

The Brussels *Giardiniera* production is famous – it has also been seen in Vienna, Salzburg, Berlin, Antwerp, and Amsterdam – but it was disappointing.The 19-year-old Mozart composed the *Giardiniera* for Munich, working at the top of his bent, and copiously. The plot involves two attempted murders; under emotional stress both soprano and tenor go mad. Opera seria and opera buffa elements jostle, and some dark modern productions have concentrated too much, perhaps, on the former. The Monnaie production comes with an elaborate programme book filled with Marivaux, Diderot, Dali,Tasso, etc. The producers, Karl Ernst and Ursel Herrmann, seem to have aimed at adventures, some fierce, some funny, in an enchanted Garden of Love. (Their set is a poplar grove, spare and quite pretty; the costumes are mainly white.) But then they seem to have lowered their sights, by plastering the show with non-stop busyness, pratfalls galore, and an incessant use of conventional props: stuffed birds, bottles, flowers, feathers, washing on the line. A midget, part Eros and part Puck, is added to the company and brought into play when there are not already enough extraneous characters onstage to distract attention from whoever is trying to sing an aria. A merit of the show was its textual near-completeness; the only cuts were of recitative. Although it ran for well over 4½ hours, that was chiefly because there were many, many long, deadly silences of up to a minute and more while gags or pantomimes were enacted.

It was not a "trust the composer" evening. Three Poles led an able cast. Joanna Kozlowska's Sandrina had striking moments. Marek Torzewski's Belfiore was fluently sung but hampered by the requirement to play the romantically confused hero as an amiable, beauty-patched booby. Elzbieta Szmytka's Serpetta was lively but sometimes shrewish. The singing that gave most pleasure was Lani Poulson's in Ramiro's "Dolce d'amor compagna," with its long slow roulades and bassoon obbligato. Malvina Major (Arminda), Ugo Benelli (the Podestà), and Russell Smythe (Nardo) completed the cast. Sylvain Cambreling conducted. The playing was proficient rather than exquisite. Perhaps the company has played this *Finta giardiniera* a few times too often.

Andrew Porter

A Girl Skipping

THE PLACE

Back in the dream kingdoms of when we were very young, our lives at school were spent in groups, ordered by the bell, in fealty to teachers, learning to join groups, to copy our contemporaries, to conform. This is the subject of a new 90-minute work, *A Girl Skipping*, by Graeme Miller, currently at The Place until May 14. A girl skipping: that's how it begins. She does some 150-odd skips, and this alone takes us back into child-time – its *dogged rituals, its way of filling time* with repetitious action until the next bell.

The next few minutes are quite a feat of stream-of-group-consciousness. The girl joins the group of other children, and initiates a series of idle actions with which they entertain themselves. There are five of them, as in E. M. Nesbit or C. S. Lewis or Enid Blyton. After an hour, a sixth performer enters, first as a schoolmaster, then as one of the gang. The first wonder is how accurately and convincingly these adult performers enact children. They have the artlessness of childhood in their vocal production, in their entire stance – even in the line of their spines and the gauche way they use their arms when running. The second wonder is that a work played by artists so persuasively childlike proceeds to make such adult points about childhood.

Whether the children are trying a stamping dance or telling stories or chasing each other, they keep showing the *need of children to adapt individuality to the group* – now testing abilities as ringleaders, now trying copycat bonding. They can even recreate the innocence of a game where the child who has "taken poison" must orally transfer it to another child.

Miller is the writer, director, composer (with David Coulter) and designer (with Heather Ackroyd). He, Coulter and Ackroyd are three of the performers, along with Emma Bernard, Liz Kettle and (from the group Ralf Ralf) Barnaby Stone. To all six, all praise. And never was systems minimalism more appropriate than as the music to all these school-and-play rituals. The piece, which runs a wide range of mood, volume and pace, reaches a strong climax in intricately virtuoso ensembles: polyphonies of bell-rituals and child-chants.

Dark elements are involved: a child's fear of experiencing the world, its way of testing out aggression and bullying, its sense of exclusion. As episode replaces episode, performers switch from one activity and mood to another. So, in one scene, one boy stands fixed to the spot, wailing coprolalically, while the others all busy themselves, trying not to impinge on his little crisis. Two seconds later, he is playing at teacher. Some passages drag, as when one girl talks deeper and deeper into her own fears as the others sleep; but not many. With gathering power, *A Girl Skipping* suggests hauntingly, variously: the child is the adult.

Alastair Macaulay

SALEROOM

Selling spree in US

US museums are going on a selling spree. The Modern Art Museum in Fort Worth is offering at Sotheby's in New York on May 24 one of the most famous of all American images, "The swimming hole," painted in 1884 by Thomas Eakins, which shows a group of naked youths cooling off. It should go for up to $15m, which would be a record for any US painting, or indeed work of American art. In 1925 Eakin's widow sold it to the Museum for $700.

The Museum is cashing in the Eakins to raise money to buy in its newly designated collecting field – art after 1940. It tried to sell the painting to the Amon Carter Museum in Fort Worth, which in a deal between the local Fort Worth Museums (the most famous, the Kimbell, will concentrate on European art up to 1920) has assumed full responsibility for American art, but was unable to settle an affordable price.

Last month the Guggenheim in New York announced that it was disposing of works by Chagall, Modigliani and Kandinsky through Sotheby's in May, which might raise $10m that will be invested in Minimalist sculptures. Last autumn, the world's richest museum, the Getty at Malibu, sold pictures in London for around £12m.

American museums have a long history of de-accession, occasionally disposing for derisory sums works that aresubsequently seen to have been of great importance. Museums and galleries in the UK, although they now have government approval to raise money through de-accession, are unwilling to go down this path. It is against the wishes of past benefactors, and who knows how taste will change.

It is obvious that the speculative sectors of the art market are in trouble. Last week it was Impressionist and modern pictures that disappointed; this week it is classic cars. A tax loophole – not yet plugged – encouraged a rapid price appreciation in certain marques of cars. Now the bubble has burst, especially for the post-War vehicles which attracted most of the investment buying.

Brooks, the new auction house which specialises in this area, was almost two thirds unsold at its auction at Castle Donington on Monday. A classic car, a 1924 4-litre Vauxhall OD Kington Tourer, made the top price, and was on target at £46,200, but E-Type Jaguars of 1970 are typical of the marques which are suffering.

One example, estimated at up to £45,000, was unsold at £30,000: a year ago it would have been expected to sell easily at that price. Another casualty in the saleroom was the most important lot, a 1915 7.4-litre Rolls Royce tourer, a Silver Ghost which once belonged to Lord Delamere, social king of Kenya. It was bought in at £260,000, but Brooks is confident that it will find a buyer privately at this reserve price.

Phillips yesterday sold Old Master paintings for just over £1m but with 28 per cent unsold. The demand for Dutch still lifes seems insatiable: they are decorators' art supreme and appeal to the newly rich. A bowl of fruit in a Delft bowl by Cornelis de Heem sold for £187,000, near the top of the forecast, while another still life, of flowers, by Abraham Mignon made £110,000, on target. A tiny work by David Teniers the Younger of a peasant filling his pipe realised £50,000.

Antony Thorncroft

ARTS GUIDE

April 6-12

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over as the alcoholic journalist who embodies a Falstaffian, naysaying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaption.

The Sound of Music (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

The Cemetary Club (Eisenhower). Elizabeth Franz, Eileen Heckart and Doris Belak star in new playwright Ivan Menchell's comedy of three widows who meet monthly to visit their husbands' graves. Ends April 29 (467 4600).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. Kabuki-za (541 3131): two lavish mixed programmes (11am, 4.30pm) to mark the 50th anniversary of the death of the great Kabuki actor Utaemon V. Among those appearing is his son, 76-year-old Living National Treasure Utaemon VI. The highlight of the evening programme is Kago Tsurube, a famous 19th century play about a country bumpkin who falls in love with a courtesan, with tragic results. Excellent earphone guide in English and English-language programme. Ends April 25.

King Lear (Tokyo Globe Theatre). The Renaissance Theatre Company, led by Kenneth Branagh, (with Richard Briers cast' surprisingly in the title role). (360 1151).

Hamlet (Ginza Hakuhinkan Theatre). Yuri Lyubimov's controversial production was originally seen in Britain and has since been on a world tour. The acting tends to be upstaged by the continuously moving curtain that dominates the set (535 0555).

Hanshin (Theatre Apple, Shinjuku). Revival of the 1988 play by Hideki Noda, the darling of Japan's fringe. (5478 0771).

Ain't Misbehavin'. Lively Broadway revue and 1978 Tony award winner, based on the music and times of the late great Fats Waller MZA, Ariake (529 5187).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Wednesday April 11 1990

A new bank for Europe

THE PROMOTION by President François Mitterrand of the European Bank for Reconstruction and Development, the new regional bank for eastern Europe, is a shining symbol of what has happened in Europe over the last decade. Upon assuming office, Mr Mitterrand was dedicated to turning his country in a socialist and economically inward-looking direction; now he is the parent of an institution dedicated to turning the socialist economies of eastern Europe in a market-economy and outward-looking direction.

Unfortunately, there are few other reasons for giving the new creation an enthusiastic welcome. It is unlikely to make more than a minor contribution to solving the problems of eastern Europe. Worse, it may prove a damaging diversion.

A number of details are still to be sorted out, but the outlines have been agreed. The new bank is to lend for projects. With a total capital of around Ecu 10bn (£7.4bn), just 30 per cent of which is to be paid in, it will be small. The Inter-American Development Bank, for example, has a capital of $60bn. Among the 40 or so share-holders of the new bank are to be the US, Japan, the Soviet Union and the countries of eastern Europe, but the EC is, quite naturally, to be the largest single bloc.

Where the proposed bank differs from other regional development banks is in the intention of lending at least 60 per cent of its money to the fledgling private sectors of the countries of eastern Europe. The intention is praiseworthy; it is also where the difficulties will start.

No guarantees

The new bank will be lending foreign exchange, without government guarantees, to private borrowers located in countries with inconvertible currencies and severe shortages of hard currency. Many of its loans are bound to go to joint ventures. Such ventures would, however, be in a good position to borrow money directly in western financial markets.

That the Bank may not, in the event, add much to the resources available to the countries of eastern Europe may be no great drawback. Given the huge debt problems of several, notably Poland and Hungary, a substantial further increase in hard currency borrowing is not a high priority.

More worrying is the diversion of high level western attention. Helping the countries of eastern Europe is going to be hard enough. It will not be made easier by a concentration of limited ministerial attention on such Lilliputian issues as whether the bank should be located in London, Vienna, Prague or some other point north, west, south or east, whether its capital should be denominated in Ecu or dollars, whether its first president is to be a French socialist or a Dutch liberal, or even – on a more serious plane – whether the Soviet Union, too, may dip its ladle in the pot.

Diverted attention

Is the diversion of attention perhaps deliberate? There are, after all, more significant, if more difficult, issues. Debt relief is one; the strong case for grant assistance, particularly in support of economic adjustment and the alleviation of environmental degradation, is another. Trickier still is trade policy. Countries of eastern Europe desperately need free access to the markets of the west, notably in sensitive areas like farm produce and textiles and clothing. Brussels has been arguing, somewhat complacently, that the further integration of western Europe is no obstacle to the drawing in of the east. Will it dare to prove its point by liberalising the common agricultural policy, that prime symbol of the excesses of past EC integration, for the sake of eastern European countries?

The debate about the proposed European Bank for Reconstruction and Development is not merely full of sound and fury, signifying little; it is a diversion of attention from far more important matters. In itself, however, the bank should do little harm to the fragile private sectors of eastern Europe. Perhaps it will do some good. Selection of a President who shares the free market faith of his eastern European counterparts will somewhat strengthen confidence in that happy outcome.

FT writers on efforts to defuse continuing Japanese-American trade tensions

Managed trade by another name

On the outskirts of Osaka, a 60-store import emporium cum monument to trade friction has been built by the Matsushita electrics group, which, like other large exporters in Japan, is under ever more urgent pressure from Washington and its own government to be seen to be importing.

When the complex, the International Marketplace, opened a couple of weeks ago, there was a queue outside the Naturally British store and a rush on its hand-made beechwood golf tees, a shoulder-to-shoulder scrum in the Italian leather goods shop, and even a bit of bustling around the Australian leisure wear. But for Japanese shoppers, the only US product to generate excitement was the high-calorie, low value-added popcorn at the Popcorn Palace.

That is a small illustration of the trade problems that are likely to continue to dog Japanese-American relations, despite last week's agreement by US and Japanese negotiators on a series of moves designed to increase Japan's propensity to import.

Month after month, Japan's awesome trade surplus has fallen in the past year – by $13.12bn to $64.44bn in 1989. Its current account surplus has fallen from 4.5 per cent of GNP in 1986 to 2.2 per cent in 1989, and was in deficit in January for the first time in six years. But the trade surplus with the US has dropped only marginally – from $51bn (£31.1bn) to $49bn. And with each passing month, Washington has grown more irritable.

Last week's agreement, in talks under Washington's so-called Strategic Impediments Initiative (SII), may serve to defuse the immediate crisis, and buy time for the US administration in the face of an increasingly restive Congress. But it is by no means clear that American companies will be the ones to benefit from the planned liberalisation measures.

A year of decline is more than a wobble on a graph, as is a 37.9 per cent increase in imports from Italy in 1989, a 41.2 per cent increase from France and a 40.1 per cent increase from Thailand. But the fall is not a simple matter of surging imports. The increases, like Japanese consumers, are selective, and there are other factors in it besides consumer demand, such as higher oil prices and price cuts by Japanese exporters.

However, US annoyance at the still formidable Japanese surplus is unlikely to go away. Indeed, if economics alone were at work, the surplus might be even higher this year. The weak yen means ever more enticing prices for Japanese products, while a slowing of domestic demand is a good reason for Japanese companies to export.

A yen at more than 155 to the dollar has left Japanese companies, most of which measure success by market share and estimate Y120 as the break even point on exports, with a unique dilemma. They are now in a better position than at any time in the past few years to cut prices and increase foreign market share.

Yet the politics of trade could prompt them to make a fundamental policy change and take extra profits in the US market. The Ministry of International Trade and Industry (Miti) is urging restraint, for instance, telling car makers to reconsider already well-advanced plans to expand domestic production capacity.

The irony of US criticism is that most Japanese agree that their markets are in need of opening up, and that policy has for too long been guided by the interests of producers at the expense of consumers.

There is a widespread sense that outside pressure is useful in forcing slow-moving institutions to respond to changes within Japanese society. But there is also a sense among Japanese that Washington, in its social reforming zeal, has overlooked a more basic trade problem: the fact that US products are not competitive in the Japanese market and, apart from matters of price and quality, have serious image problems among consumers.

Take the recent complaints of Mr Robert Mosbacher, the US Commerce Secretary, about Japan's allegedly closed car market. Foreign car sales are rising at an annual rate of around 60 per cent this year and have risen for 74 months in succession, although the combined imports of the big three US makers, Ford, GM, and Chrysler, have been overtaken by those of the Rover group alone.

Admittedly, foreign makers had a market share of only 4.5 per cent last year. Yet the tone of US criticism suggests a belief that Japan's narrow streets are a structural impediment and should be customised to fit US cars. In the meantime, US officials are demanding that auto parts imports be increased, or else they, too, may be listed under Super 301 – the punitive section of the trade act.

The US Administration insists that SII is a creative response to those in Washington who advocate managed trade, but trade disputes generally force a managed response from Japan. On semiconductors, Japan has agreed to increase the foreign share of its market to 20 per cent. On supercomputers, it has given a guarantee of Government procurement of US-made machines.

The trouble is that the more Japan grants "managed" concessions to the US, the more Washington is convinced that central manipulation of the Japanese market is the road to success, and the more US officials overlook the Japanese consumers they now claim to represent.

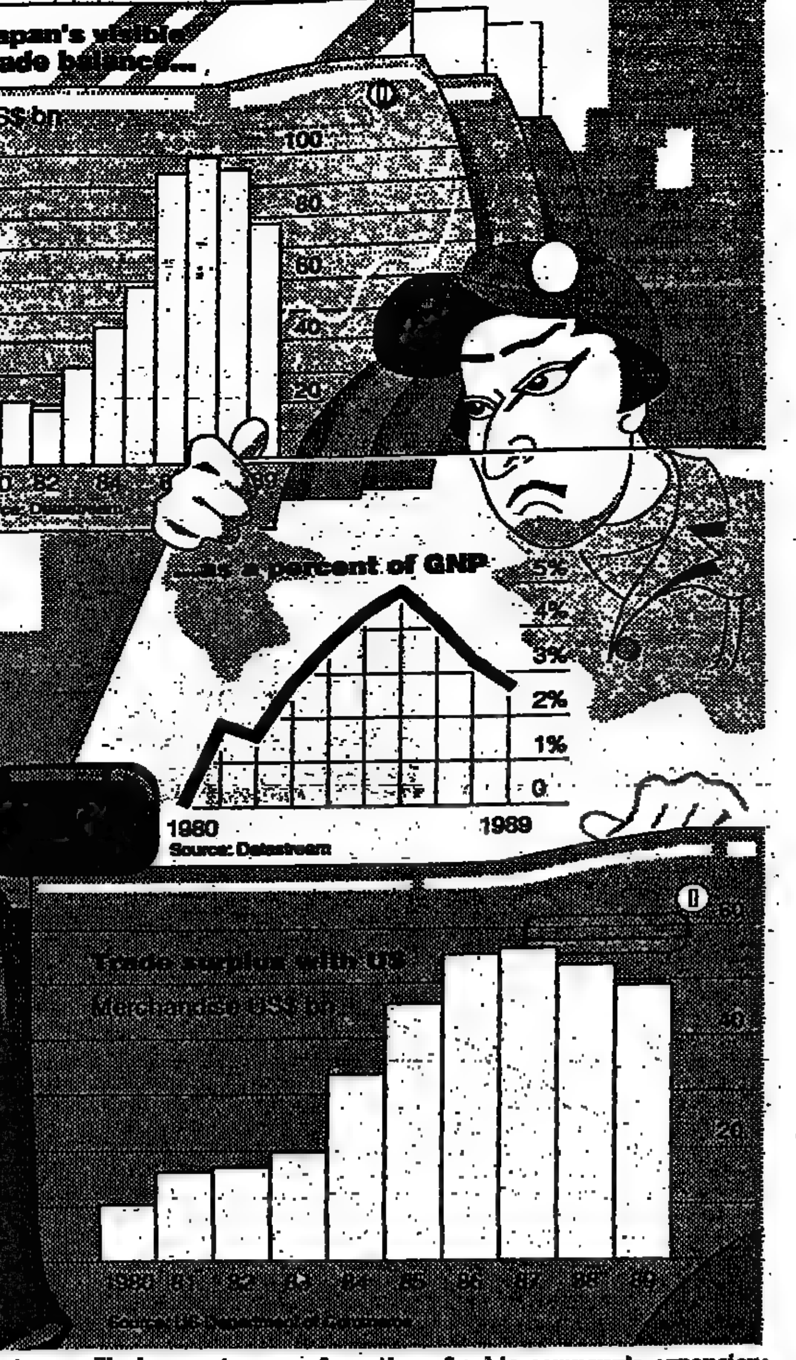
Against this background, legislative changes will not be of much help. The Large Scale Retail Stores Law is a case in point. US officials have long been urging Japan to scrap this politically-sensitive law on the grounds that it slows the opening of larger stores which have more shelf-space for foreign goods. Japan has now promised to quicken approval times for new stores to 18 months this year and a year in 1991. The US hopes that, apart from shelf space, the changes will provide room for US companies such as Toys 'R' Us, whose ambitions to build a chain store network have been cramped by the law.

But an easing of restrictions on bigger stores will also create space for ambitious chains such as Nichii and Ito-Yokado, which has agreed to buy a 75 per cent stake in the ailing Southland Corp of Texas, and has a brief to teach that company how to run its chain of 7-Eleven convenience stores.

Mr Minoru Tanaka, a general manager of Nichii Co, a large Japanese retailing group, is pleased by the prospect of US pressure laying the foundations for his company's expansion: "For us, it is a welcome development because we will establish more stores, more quickly."

Japan may now be displaying a healthy appetite for foreign goods. But US and other foreign companies are going to find the competition in the Japanese market stiffer than ever.

Robert Thomson



Talks 'buy time'

"KEEPING the animals at bay" is how a senior US administration official described the goal of the trade agreements reached by Japanese and American negotiators in Washington last week. The talks covered US complaints about Japanese markets for supercomputers and satellites as well as broader market-access issues.

By "animals" he meant those in Congress urging retaliation against Japan and the negotiation of specific targets for the US share of the Japanese market, known as "managed trade." Less vividly, Mr John Taylor, of the President's council of economic advisers, argued that the interim report produced under Washington's Structural Impediments Initiative (SII) was a "significant and workable alternative to managed trade."

In other-words, the agreements – which will soon be followed by another deal on wood products – have more political than economic import and are designed to buy time. The concessions made by Japan are probably enough to prevent Congress approving retaliatory measures this year. Moreover, they have cleared the decks for the broader multilateral trade talks of the Uruguay Round.

But there is still scepticism in Congress. Important senators concerned with trade policy, like Democrat Lloyd Bentsen and Republican John Danforth, want "concrete and specific results." Mr Dick Gephardt, the Democratic House Minority leader and a fierce critic of Japanese trading practices, has described the SII agreement as just "the trading of press releases."

Influential policymakers in the Bush administration, such as Mr Nicholas Brady, the Treasury Secretary and Mr Richard Darman, the Budget director, as committed free traders, argue that the barriers to US exports that exist in Japan only account for a small part – perhaps 15 to 20 per cent at most – of the bilateral trade deficit and that much of the problem lies in macroeconomic policies and weaknesses in US industry.

But these instincts are offset by political pressures stemming from the persistence of a large US trade deficit with Japan; worries that the US is losing out in sectors such as semiconductors and in new technologies such as high-definition television; and a widespread feeling in the US that Japan is behaving unfairly.

The Bush administration has sought to shift the emphasis to market-opening rather than retaliation or managed trade. In part, the Treasury produced the idea of SII as a response to the continued large trade imbalance which, it argued, reflected not just the impact of exchange-rate movements but also various structural impediments on both sides. The State Department has seen SII as a way of increasing the economic interdependence of the two countries and helping to improve the relationship.

The administration has had to talk tough, yet by raising expectations, what was intended to be a long-term discussion of deep-seated structural problems has turned into the usual, cliff-hanging form of trade bargaining.

The results are bound to seem nebulous, yet the US side has claimed as a first the specific commitments and public recognition by the Japanese Government that structural impediments do exist. Mrs Carla Hills, the US trade representative, said she expects the Japanese to increase spending on eight public works programmes this year; review land-use regulations and taxation to facilitate property development; substantially liberalise retailing law to shorten the approval period for opening large stores; and to lift a range of other measures seen as anti-competitive.

All these ideas have been presented by the Japanese Government as being in the interests of the country's consumers. In that sense the SII talks represent more than the usual battle of producer interests.

Moreover, the interim report promises to monitor and follow-up the pledges. As Mr Charles Dallara, a US assistant treasury secretary, put it: "The door (to structural reform) is ajar; we have to open it more fully."

What has been largely ignored in the US is that the SII discussions are, as President Bush has said, a "two-way street." The US has made a number of commitments to improve its competitiveness, by reforming its anti-trust and product liability law, cutting capital gains tax, encouraging savings and raising educational standards. But almost all were merely a repetition of existing proposals in an attempt to save Japanese face.

Overall, the impact of the agreements are likely to be smaller than the adverse affect on the trade balance of the recent rise in the dollar against the yen.

Peter Riddell and Nancy Dunne

UK's push, Europe's pull

FORD'S DECISION to transfer the second stage of its planned investment to modernise its European engine manufacturing capacity from Bridgend to Cologne is a sign that the terms of competition for inward investment into Europe are changing. Labour relations in Ford's UK plants have become more tense in the last three years and were a factor in the decision to move the £225m investment. But they were not the only one. The bulk of the UK programme will remain.

In the past decade, Ford has integrated its European manufacturing operations more closely than before. Just-in-time production techniques and single sourcing to cut costs make it much more vulnerable to industrial disruption. The unions, however, should not bear all the blame. Ford announced its Bridgend investment after the 1988 strike, which was much more costly than the recent dispute. In the mid-1980s Ford's senior executives probably over-estimated the extent to which industrial relations had changed in the UK. As a result, they planned to concentrate engine production in the UK. They are now backtracking from that misjudgment.

If not as good as one would like, labour relations are better than they used to be. Only yesterday the Bridgend workforce accepted wide-ranging reforms in working practices to allow greater flexibility. Although the performance of the Dagenham plant is still a thorn in Ford's side, executives praise the productivity improvements which have been delivered at Halewood, once the bane of the UK operations. Productivity in the British plants still lags behind those on the continent, but in engines the gap is only 10 per cent. Once the UK's lower labour costs are taken into account, the difference in unit costs is negligible.

GM investment

As Ford is shifting investment out of the UK, General Motors is investing £160m in an engine plant at Ellesmere, attracted by one of the most radical labour agreements yet signed in the industry. Ford itself has recently spent $1.6bn to acquire control of Jaguar.

The second factor in Ford's thinking was environmental concerns. As regulations start to tighten their grip on the industry, they will increasingly be reflected in investment plans. Ford has calculated that environmental controls mean the existing engine produced at Bridgend needs to have its life extended, while the single overhead camshaft engine produced at Cologne may now have a shorter life than expected a few years ago. Jobs and production should be maintained in Cologne by giving it some of the investment in the new range of lean-burn engines.

Industrial politics

Yet the third, and perhaps overwhelming, factor was the new industrial politics of Europe. When the investment plans for Bridgend were announced, IG Metall, the West German engineering union, joined forces with unions in Spain to complain of Ford's British bias. The prospect of German unification has created an even more powerful magnet for European industry. This is not the time to be seen retreating from the West German market and, unlike other car makers, Ford does not have joint-ventures in the east. In the mid-1980s Bridgend may have looked like an attractive gateway to the post-1992 market. Now it looks a long way from Berlin.

Ford's runs a large trade deficit on its UK operations. Only 61 per cent of its UK car sales last year were made up by products manufactured in Britain. The unions argue that it should match its sales in the UK, its largest European market, with a commitment to local manufacture. But as trade barriers crumble, the distinction between UK and European markets is going to become less relevant.

The rise in inward investment in the last few years still has considerable momentum. Japanese companies will continue to be attracted to the UK, and not only because of the Government's willingness to champion their cause as European companies. But that combative approach will have to take into account the fact that Bridgend is not the most accessible end of Europe.

OBSERVER

Supply side budget

■ Anyone who wondered whether Donald Gelling was big enough to fill the shoes of David Cannan had their answer yesterday when Gelling presented his first budget to Tynwald, the Isle of Man's ancient Viking parliament.

Cannan was sacked as finance minister last December after rubbing up too many people the wrong way. Gelling, an unknown promoted from agriculture minister, has continued tax-cutting almost where Cannan left off.

We have it on good authority that Cannan would probably have cut the standard rate to 12.5 per cent. Gelling has left it at 15 per cent, but bumped up allowances by 25 per cent. While Cannan's political instinct would have gone for a rate half that of the UK, Gelling has taken many more people out of tax altogether.

Gelling was elected only three years ago. Now 51, he did very well out of plant hire, and has independent means as a result. Politics is full-time. He has even persuaded his wife, Joan, to give up her job in the local health service to help him look after his constituency while he runs the treasury.

Tax cuts have led to surges in tax revenues as the island's economy has continued to grow. More of the same is expected. In future, 88 per cent of islanders will pay no income tax at all. The aim remains a basic rate of 10 per cent.

Shrinking £

■ Stand by for the new, smaller £5 note. The first issue is due on June 7. It will measure 70 x 135mm, against 78 x 145mm for the current note. There will be a new portrait of the Queen on the front and, this being the age of the train, a portrait of George Stephenson on the back.

Smaller £10, £20 and £50 notes will follow later. Each will feature an historical figure as well as the Queen, though the identity will not be revealed until nearer the time.

One wonders, incidentally, how many people can name without checking the figures on the current notes. For your information, it is the Duke of Wellington on the £5 and Florence Nightingale on the £10. As usual, we do not have notes of higher denomination to hand.

Discreet buzz

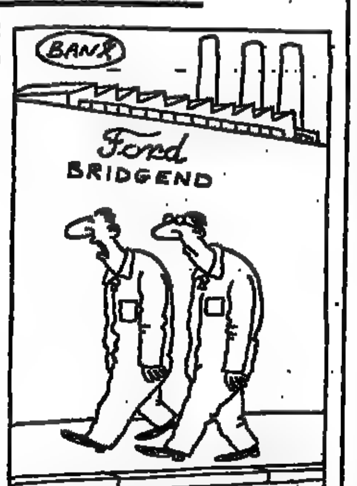
■ Lunchers at a couple of City restaurants are being exposed to a new piece of gadgetry – a host service button.

On each table there is a discreet little white box with a black button on top. Press it, and one of the assistant managers comes running. Very handy for those frustrating moments when you seem unable to attract the waiter's attention.

The two restaurants – in Cannon Street and Moorgate – are part of a chain of five run by Corney and Barrow, the 200-year old wine merchants who cater exclusively to the businessman. Christopher Brown, the managing director, says: "We like to think our service is very good. But you're dealing with people who are very time-conscious. If they're trying to impress a client, they don't want to have to wave their arms around."

The buzzers, which are actually battery-driven miniature radio transmitters, were developed by Bell Telecommunications and are not cheap: a new system costs about £4,000-£5,000, including a central display board which shows the table that has buzzed.

Brown says they are mostly used when customers want the bill. But just in case the buzzers don't get things moving fast enough, he is about to introduce a money-back guarantee for clients who – for lack of service – can't complete their meal in 60 minutes.



"First the Berlin Wall goes, then we do."

Church PR

■ There are more than 53m Catholics in the US, and polls show that many Catholic women support a woman's right to limited access to abortion. The Bishops have now come up with a response to this liberal drift among its members: a nationwide marketing campaign to oppose abortion likely to cost up to $5m over three to five years.

The Bishops have hired Hill and Knowlton, a well-connected public relations firm, and the Wirthlin Group, headed by Richard Wirthlin, former President Reagan's chief pollster, to run the campaign, which is aimed at Catholics and non-Catholics alike. Funds will be raised from private individuals.

The Church hired a PR firm to help with the visit of John Paul II to the US three years ago; but this is believed to be the first time it has sought outside help on abortion.

Already the Bishops' spending plans are drawing fire. Some worry that existing church programmes will suffer. Others accuse the church of abandoning the spiritual arena in favour of directly attempting to influence laws, though black Baptist ministers did the same during the Civil Rights movement in the 1960s.

Talk of war

■ Almost everybody who knows anything about it seems to think that there will be a war between Israel and Iraq in the relatively near future: within the next two years at the outside. When I was first told that – by an exceedingly well-placed American source – a few weeks ago, I thought that he might be exaggerating. But it appears that British experts go along with him.

So much so that speculation no longer takes the form of *whether* there will be a war, but what will happen afterwards. The preferred theory is that Israel will make a pre-emptive strike on selected Iraqi military and chemical weapons installations, that Iraq will huff and puff, but will not make much of a military response and will find, in the end, that it has few friends in the Arab world.

Of course, it may not work quite like that. There are a few variations involving Syria and Iran, and there is some concern about future oil supplies. But that, broadly, is what the experts are saying.

Infinite variety

■ From a California newspaper: "He said the defence had tried to paint the accused as the innocent victim of circumstances, but the truth was that she was a whited sepulchre, a tarnished lily with feet of clay and the cunning of a vixen." In other words, a mixed bag.

Paul Betts, Paul Abrahams and Charles Leadbeater report on an airline's credo

BA recharges its batteries

A year ago everything seemed to be going right for British Airways. At home and abroad it was regarded as the ultimate business turnaround story and one of the most successful of the Thatcher privatisations.

But barely a year later some of the magic appears to have gone. There was first the controversy last summer over the salary increase of Lord King, the airline's chairman. The company which prides itself on its approach to employee training and involvement, faced a strike last year by cabin staff on its UK routes, just as it met more intense competition from British Midland, the second tier UK airline.

In the autumn the airline's international ambitions were upset with the United Airlines (UAL) fiasco. BA was planning to invest $750m in a 15 per cent stake in the US airline. But the deal collapsed. The UAL debacle kindled rumours of top management tensions at BA; these the company denied.

Now the company's ambitions to expand in Europe may be stymied by a Monopolies and Mergers Commission inquiry into its proposed $34m acquisition of a 20 per cent stake in Sabena World Airlines, the new Belgian international carrier.

Although BA remains one of the most profitable airlines in the world, like other major international carriers it faces a rough ride in an increasingly competitive airline market.

The airline business remains a long-term growth sector, with traffic expected to continue to rise at an annual rate of 6-7 per cent throughout the decade. But it is also hostage to economic downturns and fuel price increases, as well as having to adapt to deregulation and to cope with the growing problems of congestion in the air and on the ground.

All these new pressures coincide with the launch yesterday by BA of a revised edition of the company's "mission and goals" statement.

Sir Colin Marshall, BA's chief executive, who claims he always carries the little card setting out the company's creed, says it is important for a company to "recharge the batteries" every so often. "It is essential that we take a look from time to time at a document like this. One has to ensure employees are motivated on an ongoing basis," he explains.

Its revision coincides with a trend among major privatised British companies which, like Moses, appear to need to spread the tablets of their corporate goals before their employees, to reinvigorate their management after the initial burst of energy from privatisation has started to wear off.

Unlike British Petroleum and British Telecom, which have recently restated their goals, BA plans no management reorganisation.

Sir Colin concedes that on the surface at least, the goals appear platitudinous. They state, among other things, that BA's mission is "to be the best and most successful company in the airline industry." One of the goals to achieve this is "to secure a leading share of air travel business worldwide."

Yet behind the platitudes, the new document is significant in that it fixes the broad direction the airline intends to take in the early 1990s.

The statement is designed to help the company refocus on its core airline business. "The message is that we have no intention to diversify in any substantial way," emphasises Sir Colin.

The latest restatement is a response to the changes taking place in the company's commercial environment.

The company's costs, like those of other airlines, are rising with higher fuel and labour charges and increases in air traffic control and airport landing fees.

BA must cope with more robust competition from other large carriers with aggressive expansionary plans. American Airlines has made no secret of its ambitions to exploit the new opportunities in Europe's increasingly deregulated airline market as well as expanding in the Far East and Latin America. "We want to fly everywhere where we can fly profitably," says Mr Bob Crandall, American's chairman who has turned the airline into the biggest US carrier.

Competition is getting tighter on BA's lucrative long distance routes. Far Eastern carriers are all manoeuvring to increase their long distance capacity.

BA is also trying to restore the deteriorating margins on its European short haul services, as other large European carriers like Lufthansa and Air France become more aggressive. Lufthansa has set its eyes firmly on the new opportunities in eastern Europe while Air France recently took control of UTA and Air Inter in France – a deal now under the scrutiny of the European Commission.

These competitive pressures are likely to increase as regulations which limit competition are liberalised in Europe.

Mr David Jones, BA's new head of corporate strategy, believes the mission and goals should allow the company to set clearer priorities to adapt to the new environment.

He says : "We have had a problem focussing on different elements of success at the same time. In the early 1980s it was cutting costs, then improving the quality of customer service, then marketing and branding."

The most important goals, he stresses, remain the need to match safety and security with a strong and consistent financial performance. BA has a good record in both areas. The company seems set to report further profit growth for 1989 and 1990, at a time when several other European and US airlines have been reporting lower earnings.

But for the first time the need to control costs is explicitly stated. The airline needs to emphasise value for money and provide quality at competitive cost levels. "We can't have quality at any price. That was not explicit before," says Sir Colin.

The other key goal of securing a leading share of the world air travel market will depend on external factors as much as the company's skills, as the events of the last few weeks eloquently testify.

The British Government's decision to refer BA's stake in Sabena World Airlines to the MMC, is a blow for the airline. BA hopes to use the Sabena association to develop a major European hub at Brussels as part of its strategy to restore the profitability of its European operations. BA has made it clear that it is not prepared to negotiate a compromise over its Sabena stake as it did during its takeover of British Caledonian just over two years ago.

At the same time, BA efforts to increase its penetration of the US market have continued to be frustrated by the failure of the US and UK governments to renegotiate the bilateral air service agreement between the two countries known as Bermuda 2.

Through a marketing agreement it negotiated with United two years ago, BA has been better positioned in the US than many of its European rivals.

But in recent months, many competitors have been attempting to catch up through deals with other US carriers. Swissair has entered into a global cross-shareholding alliance with Delta of the US and Singapore Airlines. KLM Royal Dutch Airlines has invested in Northwest and SAS owns a holding in Texas Air.

Although Sir Colin says BA will not become involved in a new United buy out plan, he is watching the situation closely. He remains confident that whatever the outcome, the marketing agreement with United will stick because it is so profitable to both airlines.

Lord King recently complained that the upheavals at UAL have distracted the US carrier from developing the agreement. But it is at the centre of BA's globalisation strategy, involving agreements and alliances with partners around the world. One recent example of was the marketing deal with Air New Zealand, despite BA's initial failure to acquire a stake in the airline.

At the same time, the company will pursue its policy of fleet rationalisation (it is poised to take a $3.8bn decision to purchase new aircraft to replace its old DC-10s and L1011s trijets). It is also continuing to market specific passenger services with brand names; it is about to launch a new "super economy" class. It sees improvements in punctuality as key to success and is further developing computerised ticketing systems.

Mr Jones says that the success of many of the mission statement goals will ultimately depend on the performance of BA's senior management and in particular of Sir Colin. But he also says that if the goals are to be achieved the sense of mission will have to cascade through the company. Much will depend on how successfully Lord King and Sir Colin can rally their troops.

The neat plastic cards with the company's creed are designed to this end. The question is whether the message they carry will rub off on employees.

Sir Colin Marshall (left) and Lord King; BA's Chief Executive and Chairman respectively

Leaving it to the History Man

Michael Prowse argues that Mrs Thatcher should stop interfering with the National Curriculum

WHAT we want is to see the child in pursuit of knowledge, and not knowledge in pursuit of the child – George Bernard Shaw.

MRS Margaret Thatcher must be wishing she had appointed Magnus Magnusson, the presenter of the television quiz show Mastermind, as chairman of the National Curriculum History Working Party. Mr Magnusson has an admirably robust approach to the assessment of knowledge. He simply shines a powerful light in the eyes of contestants and fires factual questions at them. The winner is the person who can recall the most information at the greatest speed.

In contrast, Commander Michael Saunders Watson, the old Etonian chairman of the history group, has proved a wishy-washy liberal. In his interim report last August, he argued that students should not be assessed on factual knowledge *per se*; the formal "attainment targets" instead included goals such as "understanding points of view and interpretations of history."

Mr John MacGregor, the Education Secretary, rejected this approach. He asked the group to consider making factual information an attainment target in its own right. Mr Saunders Watson and his colleagues, mainly teachers and professional historians, have thought again: their considered conclusion is that factual information should form a crucial part of the statutory "programmes of study" but not be included in attainment targets. The Commander, in other words, is not to be intimidated.

Downing Street is reportedly displeased. Mrs Thatcher will not accept the final report. Mr MacGregor is playing for time: implementation of the recommendations is being delayed for two months while he seeks a second opinion on the feasibility of Mastermind-style tests. Meanwhile, one of the members of the working party has revealed that submissions on the interim report, which the Government will not publish, overwhelmingly support its approach.

Are Mrs Thatcher's concerns (which are shared by right-wing groups such as the Centre for Policy Studies) justified? A careful reading of the final report suggests not. Mr Saunders Watson and his colleagues are not saying that factual information is unimportant; they are merely arguing that it must be assessed "in the only way that invests it with meaning: in context." Without understanding, "history is reduced to parrot learning and assessment to a parlour game."

There is nothing at all radical or progressive in this view. In Britain, the essay has been the traditional means of assessing achievement in history. It has never been possible for students – whether taking O levels at 16 or Oxbridge entry at 19 – to attain high marks simply by listing facts. The essence of the essay approach is that the student uses factual information as and when necessary to develop the argument and convey an understanding of the issues.

The working party's decision to make skills and understanding the focus of attainment targets is thus wholly consistent with long-standing educational traditions. Factual information is kept in its proper place in the programmes of study. This is also the only practicable approach given the peculiarly complex system of assessment being introduced. Under the National Curriculum, students are expected to climb an educational ladder with 10 rungs: in each subject working parties have to specify 10 levels of attainment.

This model works well in hierarchical subjects, such as mathematics and science. But in an arts subject such as history, the notion of linear progression makes less sense. The history group had enough trouble attempting to make its broad – brush attainment targets conform to this artificial structure. Take the target "understanding history in its setting." When explaining historical issues, level 7 pupils will be expected "to show a detailed awareness of the idea of change." Level 8 pupils will have to "apply extensive understanding of change to complex historical issues." Spot the difference if you can.

If factual information became an attainment target, the problems would become hairier still. The history group is surely right to argue that "there is no defensible rationale for assigning information to any given level or number of levels . . . the judgment that one historical fact is of more or less importance than another must always appeal to a wider historical context." Just imagine trying to specify 10 levels of factual knowledge about the Thatcher Government (1979-1992). Which level (if any) would need to know the names of all her Trade Secretaries?

The real concern over the history curriculum is not that insufficient emphasis is being placed on facts but that politicians are meddling in matters about which they have no special expertise. The Government has already exploited its power by appointing a committee which it thought would produce the "right" answers. Mr Saunders Watson, the owner of Rockingham Castle in Leicestershire and a past president of the Historic Houses Association, was picked precisely because he was not a professional historian or educationalist. Ministers should now have the good grace to accept the committee's recommendations.

The concept of a National Curriculum is highly dubious. There is little educational logic in attempting to impose a single blueprint on all state schools. But given that this is official policy, the history group has done a remarkably good job. My reaction after reading the final report was that it should be fun to teach (or learn) history in the 1990s. GBS would have approved.

The proposed curriculum is balanced and liberal. It makes a spirited attempt to rectify existing flaws – such as the tendency to regard Britain as the centre of the universe and to play down the importance of social and economic history. More world history and less emphasis on the activities of English kings and queens are clearly desirable in what is now a middle-ranking, multicultural nation.

The working group deserves public support in its fight to withstand political interference and the Mastermind syndrome.

LETTERS

Telecoms and a UK opportunity for leadership

From Mr Nigel Kynilo.

Sir, Hugo Dixon's three-part series just ended ("Phone cartel faces up to inevitable change," April 5) made reference to the current telecommunications regulatory environment in the UK and Europe.

The UK has an opportunity to assume a leadership role in the development of eastern Europe and to assist in its entry into the 21st Century. If the doors of financial commerce are to be opened, the European Community must permit expansion and vigorous development of one of the primary tools of capital formation: telecommunications.

Once the telephonic "sealanes" of commerce are opened, the financial and commercial markets of Europe's emerging democracies can flourish. Eastern Europe can transform itself from a welfare drain to a self-sustaining contributor. There is still time for the UK to decide whether it will lead that process or ignore it.

A unified Europe represents an opportunity akin to being able to invest in the infrastructure of the US a little over 100 years ago. People from all over the world (especially Europeans) profited enormously from that development. Freedom of enterprise, not prohibitive regulation, was the key. History can repeat itself.

If investors and businesses are to succeed in Europe they will, for the time being at least, have to pass through the UK. London is the world banking centre and gateway to European finance and, once again, England has the opportunity to become a major global force. As water seeks its own level, so will international businesses seek the path of least resistance to achieve their ends. It is these entities that the UK must accommodate.

It will take more than the convenience of being ideally located, time-zonewise, for the UK to maintain its position as a "capitol of capital" and trade. France, Spain and Germany, are positioning themselves to offer formidable competition for the designation as financial and cultural leader of Europe and perhaps the world.

The UK must concentrate more on connecting with the rest of the world, than on unfounded fears about the impact that deregulation of international telecoms resale may have on the universal service capability of the UK's dominant carrier. I say "unfounded" because the US experience with deregulation shows that resale, in particular:

● created a rich diversity of services that had not been available previously;

● promoted competition among the dominant carriers, which resulted in lower domestic rates as long distance business users discovered these new services;

● and fostered employment in an entirely new telecoms industry by giving users what they wanted rather than telling them what they could have.

It is difficult to understand how the British Government can be concerned about resale affecting British Telecom's ability to provide UK universal service, yet have no problem with multi-billion dollar out-of-country expenditures (such as purchases of Tymnet, and McCaw Cellular stock). If universal service really were threatened, this money could be applied to that need.

Nigel Kynilo,
1 Devonshire Place,
Boston, Massachusetts

From Mr Francis McInerney.

Sir, Hugo Dixon's series is ground breaking. His point is excellent: a bitstream monopoly is the Opec oil cartel of the information age.

The world telecommunications market is some $400bn today. By the year 2000 it will top $1.3 trillion, roughly the size of the US gross national product in 1973. With this kind of money around a lot of people stand to get stinking rich.

Mr Dixon has hit the nail on the head – governments everywhere want this cash flow for themselves. They will not give it up willingly. The rest of us will be robbed blind.

Francis McInerney,
Vice President,
North River Ventures,
237 Park Avenue, New York

Snapshot

From Mr Roger Giles.

Sir, We wonder why you chose, on our opening policy *conference day* (April 5), to photograph the press and observers' gallery of the Wolverhampton Civic Hall rather than the floor where several hundred party members were engaged in developing policy.

Roger Giles,
Convener, Media Committee,
The Green Party,
10 Station Parade, SW12

A taking of liberties

From Mr J.K. Swales.

Sir, Christopher Dunkley, begins his article reviewing the Granada programme, Who Bombed Birmingham,("Never mind the method, establish the truth," April 4) with the statement: "There are few countries in the world where there is more liberty for the individual, greater freedom of expression, a more effective democratic process, or a better chance of a fair trial, than in England."

Are these freedoms and liberties denied in Scotland and Wales?

Or is it simply Northern Ireland that Mr Dunkley is subconsciously excluding?

J.K. Swales,
The Fraser of Allander Institute for Research on the Scottish Economy,
University of Strathclyde,
Glasgow

UK training: bureaucrats in the campaign for improvement

From Mr C. Fudge.

Sir, May I add a rider to your leader ("A cautious move on vouchers," March 28) on the new training credit scheme, Training Enterprise Councils (TECs) and the accompanying report which said: "The idea of credits was first put forward by the Confederation of British Industry"?

All power to employers' efforts (with trade unions I hope) but please let me recall that in recent years it was the much derided "bureaucrats" who made most of the noise about Britain's less-than-commendable international training record, most notably in the 1984 National Economic Development Office (Nedo)/Manpower Services Commission (MSC) international study, Competence and Competition (and later in The Making of Managers). It was received with less than enthusiasm by employers at the time.

It was this report which pointed to the link between investment in education, training and competitive success, and *inter alia*, to the scope for bringing UK employers more closely into decision making on training, through bodies modelled on the US Private Industry Councils, and to the possibility of individual training accounts, vouchers and credits which might be portable between employers.

These matters were explored in more detail the following year in the report, Challenge to Complacency also commissioned by Geoffrey Holland, then MSC director, and (Sir) John Cassels, then Nedo director general.

C. Fudge,
Bargate Cottage,
Churt Road,
Churt,
Farnham, Surrey

From Mr I.R. Bloor.

Sir, I agree with Mr Pratten ("The limits to training," April 3) but feel he might have unwittingly overstated the importance of scale as an alternative competitive weapon.

It is true that, historically at least, US labour productivity has been higher than that in Europe because of longer production runs. This factor is, however, of diminishing importance in the markets of advanced western economies where standardised goods produced on the basis of long production runs are increasingly supplied from cheap labour countries in the Third World.

The important growth markets are increasingly those for more sophisticated higher value-added products for differentiated niche markets, produced by sophisticated, flexible manufacturing systems. These trends require greater sophistication in process as well as product design thus enhancing the need for education and training while diminishing simple scale economies as an element of future competitive success.

I.R. Bloor,
1 Brickfields Close,
Oakerthorpe Road,
Wirksworth, Derbyshire

FINANCIAL TIMES
Wednesday April 11 1990

A nation divided with no taste for unity

Kieran Cooke forecasts a cool reception in Ulster for the Irish Prime Minister

MR CHARLES Haughey, the Irish Prime Minister, steps into the lion's den today when he visits Belfast in Northern Ireland.

It will be the first visit for more than 20 years by an Irish Prime Minister to Belfast, capital of western Europe's most troubled region.

There have been angry denunciations of the visit from Northern Ireland's Unionist community who see Mr Haughey as "the enemy of Ulster" and his presence as yet another example of Dublin's interference in Northern Ireland's internal affairs. The majority of Unionists favour continued union with mainland Britain.

Unionists say the Irish Prime Minister's visit is particularly insensitive coming after recent controversial Irish judicial decisions not to extradite three men wanted on terrorist-related charges in Northern Ireland, and only 48 hours after the murder of four soldiers in an IRA bombing.

The army and police have been put on full alert in case of trouble.

Irish officials have emphasised the European nature of Mr Haughey's trip. As President of the European Council Mr Haughey will be addressing a meeting of the British Institute of Directors. During the Irish EC presidency he has been careful to keep the Northern Ireland question off the EC agenda.

But both Mr Haughey and Mr Gerry Collins, the Irish Minister for Foreign Affairs, have repeatedly contrasted the momentous changes that have taken place in Europe in recent months with the seeming intractability of events in Northern Ireland.

The Irish Government has been keen to draw parallels between German unity and Irish unity. "As someone from a partitioned country I have a strong basic sentimental attachment to the idea of German reunification," said Mr Haughey late last year.

On a recent trip to the US, Mr Collins picked up the theme: "The question of reunification is important not only for the Germans but also for the Irish."

The parallel is an obvious but not altogether valid one. East Germans mostly want unification with West Germany. A recent poll in Northern Ireland found that only 11 per cent of those interviewed wanted to become part of the Republic of Ireland. Not surprisingly Protestants nearly all rejected the idea with only 1 per cent opting for integration with the south. But it seems that Northern Ireland's Roman Catholics still remain to be convinced that unity would be a good move. According to the polls, only 26 per cent of the Roman Catholic population in Northern Ireland want to be ruled by Dublin.

The promise of better living conditions and prosperity has been one of the attractions of a united Germany for East Germans. The same is not the case in Ireland.

For the most part, people living in Northern Ireland have a better standard of living than those in the Republic. The British Government has tended over the years to throw money at the problems of Northern Ireland: the British Exchequer spending in the province this year will be nearly £6bn ($9.8bn). Northern Ireland's health service, its education system and its roads are among the best in the UK.

Mr Haughey has described recent economic achievements in the Republic as "a minor economic miracle." But a range of government cutbacks to deal with a national debt of I£25bn ($15.75bn) have brought severe problems in the Republic's health service and education system, while the road network in parts of the country is in a severe state of disrepair. Unemployment in Northern Ireland, at 14 per cent, is still the highest in the UK. Roman Catholic males are still twice as likely to be without jobs as their Protestant counterparts. But south of the border, unemployment is 18 per cent and emigration is running at its highest level for several years.

There is also the less definable but nonetheless relevant question of attitudes both north and south of the Irish border to the question of unity.

While those in the Irish Republic might have an emotional attachment to the idea of a united Ireland, many seem content to have it remain only a remote possibility. Despite recent attempts to improve cross-border co-operation, there are no signs of a headlong rush to dismantle the border in advance of 1992. The Irish Government still flaunts the EC rule book by imposing penalties on cross-border shoppers.

Last weekend, Mr Haughey said that Anglo-Irish relations would continue to be difficult while the present abnormal situation exists in Northern Ireland. Since the start of the present phase of "The Troubles" in 1969, some 2,792 people have been killed in Northern Ireland. Of those, more than 1,900 were civilians.

The killing has declined in recent years and over the past few months there had been considerably less paramilitary activity and some signs of political progress. But political talks have once again floundered and the Irish Republican Army (IRA) has this week again demonstrated its killing capacity. Extradition has caused yet more problems in Anglo-Irish relations.

As Mr Haughey is rushed in and out of Belfast today in what is likely to be one of the biggest security operations ever mounted in the city, he might reflect that things remain far from normal in Northern Ireland.

Sinn Fein conciliation, Page 11


Hard-line Protestant leader Ian Paisley outside Belfast's Europa Hotel where he plans to lead a protest demonstration against the Irish Premier's visit today

Haughey expects summit to set up committee on political union

By David Buchan in Brussels

EUROPEAN Community leaders will set up a high-level group to study political union at their Dublin summit later this month, Mr Charles Haughey, the Irish Prime Minister and current EC President, forecast yesterday.

After meeting Mr Wilfried Martens, his Belgian counterpart, he said the most likely outcome of the talks on April 28 would be the creation of another Dooge committee that might pave the way for a second intergovernmental conference (IGC), on political unity. The EC is already committed to the opening, in December, of its first IGC, on monetary union.

The original Dooge committee was set up in 1984 under Senator James Dooge, a former Irish Foreign Minister. It called for extended majority voting in the EC and set in train the 1985-86 negotiation of the Single European Act.

The idea for another such grouping has been circulating among federally-inclined EC leaders, and Mr Haughey said there was "a general mood that the Community should get on fairly quickly with deepening its integration." He has consulted half his counterparts, including the leaders of West Germany, France and Italy.

The Irish Premier, who will chair the Dublin meeting, said that the high-level group would be composed of personal representatives of EC leaders.

He refused to take for granted opposition from Mrs Margaret Thatcher, whom he will see next week in the course of his pre-summit consultations.

"I would not like to contemplate going ahead without her," he said. But he added: "I've seen her agree to certain conclusions of which she did not approve, for the sake of consensus," and cited her acquiescence last December in the calling of an IGC on monetary union.

The concept of political union is less absolute than monetary union. At this stage, the plan that would be laid before a new Dooge committee would be one that has been drawn up by the Belgian Government, Mr Haughey said.

This calls for stronger powers for the European Parliament and Commission, rather than the straight federalist structure which the Delors plan envisages in the monetary field. It also calls for closer security co-operation, which might create difficulties for neutral Ireland.

EC central bank governors will appoint a team of experts next month to help prepare the way for economic and monetary union, Mr Karl Otto Pöhl, Bundesbank president, said yesterday, Reuter reports from Basle. Speaking after a BIS monthly meeting, he said the five or six economists would start work on July 1.

Mr Henning Christophersen, Commissioner for Monetary Affairs, attended the meeting. Mr Pöhl said work on preparing statutes for a European central bank was just beginning, and no decisions were likely before the end of this year.

Indian PM warns of war over Kashmir

By David Housego in New Delhi and Zafar Meraj in Kashmir

THE CRISIS in Kashmir deepened yesterday as Moslem extremists publicly killed a hostage in Srinagar, the Indian Government's summer capital, and Mr V.P.Singh, the Prime Minister, told parliament that India should be "psychologically prepared" for war.

Mr Singh issued his strongest warning yet to Pakistan against supporting Moslem militants seeking independence in Kashmir.

Pakistan would have to pay "a very heavy price" for any military adventure against India or for trying to use insurgency as a weapon to achieve territorial gains, he said. "Our message to Pakistan is that you cannot get away with taking Kashmir without a war. They will have to pay a very heavy price and we have the capability to inflict heavy losses."

The growing sense of crisis in New Delhi was exacerbated when Kashmiri militants claimed responsibility for two bombs which exploded in the Indian capital yesterday, injuring nine policemen. It was the first attack by separatists against a police station in the capital.

Mr Singh, who is also Minister for Defence, told parliament that the Government knew that Pakistan had moved its radar systems to the border and had made operational its airfields on the front.

India and Pakistan have fought two wars over Kashmir since independence from Britain in 1947. India rules two-thirds of the region, Pakistan the remainder.

The Indian Prime Minister was speaking soon after militants from the Jammu and Kashmir Liberation Front (JKLF) killed the Kashmiri manager of the state-owned Hindustan Machine Tools Company. He was one of three hostages they hold.

Mr Jagmohan, the Governor of Kashmir, has threatened that a curfew, now in its fifth day, will continue until the other two hostages, including the vice chancellor of Kashmir university, are released.

Mr Singh said Pakistan's strategy seemed to be to avoid an armed conflict and to continue to fan insurgency with India. If this did not work, he said, Pakistan might opt for a limited intervention. The Indian armed forces were ready to cope with any eventuality, he said, but he also called upon people to be "psychologically prepared" for war.

Cult of Genghis Khan

Continued from Page 1

yesterday suggested that nomads were huddled around radio sets in remote regions, absorbed by the speeches. However, the herdsmen have been more inspired by a sense that Mongolia is now in control of its own destiny – after decades of Soviet manipulation and 200 years of Chinese domination before that.

The most obvious sign of renewed nationalism is the rise of the cult of Genghis Khan. The driver of my hired Russian-built Volga has stuck a picture of one of Genghis's sons on the windscreen, and the Hearth of Genghis Khan movement, which has risen with doyens of quasi-political groups in recent days, claims 5,000 members and promises of support from all 18 provinces.

The Genghis Khan cult is a subtle way around the sensitive issue of mass criticism of Soviet control. Foreigners are told that a handy phrase in Mongolian is "I am not a Russian," and several Soviet citizens have been beaten in recent weeks. A young Mongolian warned that "after a few glasses of Mongolian vodka, it's difficult to know who is a Russian."

Mongolians complain that they are Rs9.5bn ($15.7bn) in debt to Moscow and that for that they have received shoddy Soviet equipment and also had to sell their meat at discount prices.

The newly-formed Mongolian Green Party has condemned a Soviet-built thermal power station which belches smoke across an otherwise clear Ulan Bator sky.

Communist party leaders had been urged by Soviet advisers to marry Russians and Sendenbal, who ran the country for 40 years until 1984, has settled into senility in a Moscow apartment with his wife.

Mongolians are developing confidence that the bloody purges of the past are over. A 70-year-old former soldier, his shabby clothes proudly decorated by medallions, showing that he fought the Japanese in 1939, and his eyes virtually closed by cataracts, said that the changes of recent weeks have made him happy. He has been a Communist Party member for 47 years but believes that "these new parties are a good thing."

For too long we have listened to only one voice. You have more good ideas in a country if you allow many voices to speak. We need many voices if we want to make Mongolia strong."

For the nomadic herdmen – who make up about half of the country's two million population – debates on the technicalities of Marxism only have relevance because, for most of this century, they have had to lug around Marxist and Leninist texts as they moved camp four times a year, with the seasons.

The ruling Communist Party began the extraordinary congress with promises to "produce 104 calves from every 100 cows" as part of a more pragmatic reply to the rise of opposition parties. The opposition have promised to put a television set in every yurt and double herdsmen's salaries.

The Mongolian Peoples Revolutionary Party, as the Communist Party is known, now talks of developing a "state-controlled market economy." In between the speeches yesterday, state television ran a game show designed to prove to the masses the need for economic change and, in particular, price reform.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	F	16	61	Malta	F	17	63	Rhodes	F	18	64
Algiers	R	[illegible]	[illegible]	Edinburgh	F	13	55	Manchester	C	11	52	Rio de J'o	F	35	95
Amsterdam	F	11	52	Faro	S	16	61	Manila	F	35	95	Rome	F	14	57
Athens	F	19	66	Florence	S	16	61	Melbourne	F	24	75	Salzburg	R	5	41
Bahrain	S	27	81	Frankfurt	S	11	52	Mexico City	C	27	80	San Francisco	F	11	52
Bangkok	F	34	93	Funchal	C	15	59	Miami	S	23	73	Seoul	S	22	72
Barcelona	S	14	57	Geneva	F	9	48	Milan	F	13	55	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	S	18	64	Montreal	–	–	–	Stockholm	C	7	45
Belfast	F	11	52	Glasgow	S	10	50	Moscow	S	9	48	Strasbourg	S	11	52
Belgrade	R	4	39	Guernsey	C	11	52	Munich	S	9	48	Sydney	C	21	70
Berlin	S	[illegible]	[illegible]	Helsinki	S	9	48	Nairobi	–	–	–	Taipei	C	24	75
Biarritz	F	11	52	H. Kong	C	23	73	Naples	F	17	63	Tangier	F	15	59
Bombay	S	30	86	Innsbruck	C	7	45	Nassau	C	29	84	Tel Aviv	S	24	75
Bordeaux	S	12	54	Inverness	F	9	48	New Delhi	S	32	90	Tenerife	F	19	66
Brussels	F	[illegible]	[illegible]	Islamabad	F	22	73	New York	C	11	52	Tokyo	F	21	70
Budapest	F	11	52	Istanbul	R	12	54	Nice	S	16	61	Toronto	–	–	–
B. Aires	F	[illegible]	[illegible]	Jakarta	–	–	–	Nicosia	S	21	70	Tunis	C	15	59
Cairo	S	34	93	Jersey	C	11	52	Oporto	S	14	57	Valencia	C	14	57
Cape Town	S	22	72	Jo'burg	F	23	73	Oslo	F	10	50	Venice	S	13	55
Caracas	C	27	81	Lima	F	25	77	Paris	S	12	54	Vienna	F	8	46
Casablanca	C	[illegible]	[illegible]	Lisbon	S	15	59	Peking	–	–	–	Warsaw	S	10	50
Chicago	Dr	[illegible]	[illegible]	London	C	12	54	Prague	S	8	46	Washington	C	13	55
Cologne	S	10	50	Los Angeles	F	14	57	Reykjavik	C	3	37	Zurich	F	10	50
Copenhagen	C	7	45	Luxembourg	S	10	50								
Corfu	F	18	64	Madrid	F	11	52								
Dallas	S	14	57	Majorca	F	12	54								
Dublin	C	11	52	Malaga	S	16	61								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Soviet Union warms to Thatcher vision

By Robert Mauthner in Moscow

THE Soviet Union accepts the idea of "a great alliance for democracy from the Atlantic to the Urals," suggested by Mrs Margaret Thatcher, Britain's Prime Minister, Mr Eduard Shevardnadze, the Soviet Foreign Minister, said yesterday.

Mr Shevardnadze was speaking at a lunch in honour of Mr Douglas Hurd, the British Foreign Secretary, after talks in Moscow on arms control and European security between the two ministers.

Mr Hurd also had a 90-minute meeting with President Mikhail Gorbachev at which he expressed the concern of Britain and its European partners over developments in Lithuania.

"He was extremely forthcoming," Mr Hurd said of his conversation with Mr Gorbachev. "I have had a very clear account of the background to the Soviet Union's action in Lithuania."

President Gorbachev and Mr Shevardnadze are both understood to have assured the Foreign Secretary that Moscow was trying to find a solution through dialogue, although Soviet statements indicate a hardening of Moscow's position.

Mrs Thatcher's proposals were made at an Anglo-German conference in Cambridge, England last month. They consisted of a seven-point plan of action for the summit of the 35-nation Conference on Security and Co-operation in Europe (CSCE), later this year.

Mrs Thatcher proposed that the summit should:

- Strengthen democracy by setting out the conditions to be fulfilled for holding free elections.
- Lay down principles for the respect of the rule of law and human rights.
- Extend political consultation involving the widest possible number of countries.
- Give the CSCE a conciliation role in disputes.
- Lay down principles for a free market society.
- Solemnly reconfirm the Helsinki Final Act commitments on European borders.
- Sign the agreement on the reduction of conventional forces in Europe, being negotiated in Vienna.

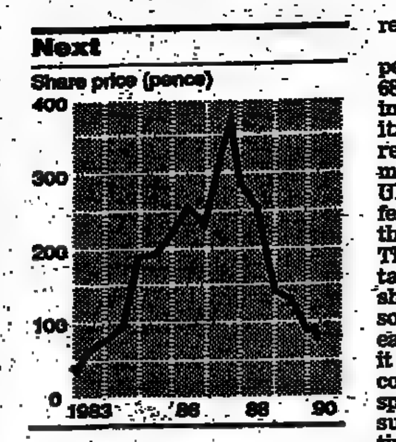
Mr Shevardnadze stressed that he did not agree with Mrs Thatcher's view that the CSCE should not take on a defence role, and that this should continue to be dealt with in the framework of existing alliances. The policy of military blocs would have to be abandoned sooner or later, he said.

Mr Hurd and Mr Shevardnadze also disagreed over whether a unified Germany should belong to Nato.

THE LEX COLUMN

Judgment day in the Next world

Next is a prime example of everything that went wrong with the retail sector in the late 1980s. Overambition, overexpansion and a lack of attention to costs bore fruit in yesterday's dreadful figures, with more write-offs than a demolition derby. The management is obviously working on the kitchen sink principle of getting all the bad news out of the way in one go. But even so the provisions shed new light on the company's old problems – with investments being written off which analysts did not even know had existed.



It is still far from certain that Next can become a recovery stock. So far this year, the group's retail sales are down 3 per cent, on space down 4 per cent. Cost pressures continue to be intense – rent increases are around 20 per cent – and the group has had problems with some of its clothing ranges. And it is possible that the proliferation of outlets, in all their different forms, may have damaged the brand name irretrievably. Meanwhile, the agency mail order business is in terminal decline and it will be a while before the growth of the Next directory and the other direct mail businesses compensate for it.

The retailing business should be trading profitably after rationalisation and presumably the write-offs have been sufficiently drastic to allow some room on the upside for profits this year. But the real question is whether the company can hold the dividend – if so, the shares are yielding a prospective 8.6 per cent at last night's 73p. That may provide some support but the best hope for a recovery is a bid, with Sears, which may want to integrate Grattan with Freemans, the current market favourite.

3iBJ

The history of joint ventures between Western financial institutions and their Japanese counterparts has not been a particularly happy one. Either the unions falter because of the obvious culture clashes or the Japanese partner picks up the tricks of the trade quickly and soon prefers to go it alone. That said, the partnership between 3i, Britain's biggest venture capitalist, and IBJ, probably the best connected of all the Japanese banks, is an interesting move.

Although the Japanese economy is four times as big as the UK's, its venture capital business is less than a quarter the size. If there ever was such a thing as an equity gap in the UK, then it is far more pronounced in Japan. There are thousands of family businesses, for example, where the founders are close to retirement and have no obvious successors. There has already been a surge of foreign interest in stimulating an active domestic takeover market. But the provision of venture capital is an equally attractive solution, especially since Japanese equity capital injections still seem to be confined to the need for strategic alliances or preflotation financing. If 3i can make the partnership work, it stands to collect a bunch of investments which will be the envy of any foreign investor specialising in small Japanese stocks.

RMC

RMC is by nature a candid company. Its despatches from the front-line of the UK buildings material market, delivered yesterday with its annual results, deserved to be taken very seriously. RMC's news of a 7 per cent fall in the first quarter in production of ready-mix concrete, sand and gravel suggest 1990's slump in demand is considerably sharper than most commentators expected six months ago. In roadstone, volumes are holding up; but it is an open question whether the industry's spring price increases will stick.

So this year will sort out adults from children in the building materials sector. It is less clear whether investors have already fully digested this. Including yesterday's 25p fall to 615p, RMC's shares have dropped by an eighth since January 1; yet there may be scope for more pain, for the sector generally, if the market takes fright at what Tarmac reports on April 24.

As regards RMC, earnings per share rose 17 per cent at 68.5p in 1989, but will likely fall in 1990. Trading results from its buoyant West German ready-mix business should make up for the drop in the UK, where operating profits fell in 1989's second half, for the first time for many years. The snag is that high German taxes, and RMC's minority shareholders there, will keep some of the benefits out of its earnings line. It the meantime, it is a telling comment about continental share prices that in spite of its large German exposure, RMC is trading on 9.2 times 1990 earnings, while Germany's Heidelberger Zement is on a p/e of about 26.

TVS

Many British companies have made disastrous acquisitions in the US, but TVS's troubles with MTM are worse than most. It paid £190m for the US production company in 1988; so far, MTM's net contribution is a loss of £5.3m and at best it is expected to break even this year. The idea of selling half the company has now been shelved. But MTM's latest recruit, the Galloping Gourmet, will have to run pretty fast to produce a substantial increase in profits until the current networked productions work their way through the cycle.

Just to add insult to TVS's injuries, the outlook is bleak for advertising income in the UK and the company is the market's favourite to lose its franchise in the forthcoming round. The shares rose 4p yesterday merely though relief that the company paid a final dividend; it is hard to see them rising much further.

CS/Bank Leu

The urge to merge among Europe's smaller banks is no secret. Economies of scale and increased competition resulting from the steady dismantling of Europe's financial boundaries has left many banks, especially from the smaller countries, feeling that they have to be bigger to survive. Nevertheless, Credit Suisse's bid to gobble up Bank Leu, one of its smaller competitors, is rather puzzling. Given the well publicised problems of its US affiliate, which has damaged its own rating, it is hard to see how CS can avoid diluting its own shareholders given that Bank Leu is trading at over 15 times earnings and its recovery prospects are patchy.

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday April 11 1990

INSIDE

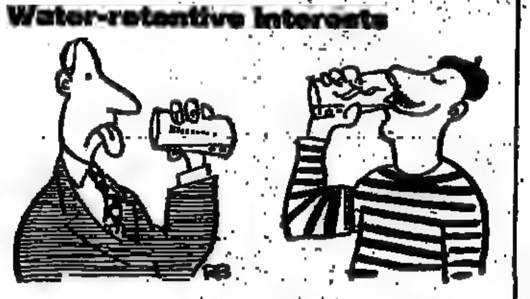
Milk industry must change or curdle

Britain's Milk Marketing Board saga is beginning to resemble a stately quadrille; the only problem is the dancers seem unsure of the steps. The industry's cartel-like arrangements for fixing prices and profits seem set to stifle innovation and efficiency just when these are most needed. All the participants acknowledge the need for change, yet all appear to fear the consequences, reports Bridget Bloom. Page 38

Dresdner's spiritual home

Before the Second World War, Dresdner Bank was more active in what is now East Germany than in the West. Now, West Germany's second largest bank is looking forward to returning to its roots. Yesterday, it revealed plans to open 35 East German branches. Page 23

Water-retentive interests



The last thing UK investors in the recently privatised water companies want to hear is that their counterparts across the Channel are doing somewhat better out of their investments. Political concerns have caused UK water company shares to sink, while French water companies are booming. Back Page

Mining potential of a merger

Mitsubishi Metal, Japan's largest smelting company, and Mitsubishi Mining and Cement, a leading building materials producer, yesterday announced plans to combine their activities in one of Japan's biggest post-war industrial mergers. Page 25

Profits go bump in the night

In June last year, the bed and furniture maker Silentnight joined up with Lowndes Queensway, the furniture and carpet retailer, to deliver beds direct to customers' homes. It seemed like a good idea, except that two months later, Lowndes' shares were suspended. Yesterday, Christopher Burnett (left), Silentnight's chief executive, admitted it had lost "several millions" through the venture. The group announced a 33 per cent drop in pre-tax profits. Page 30

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Chief price changes yesterday

FRANKFURT (DM)				Inm Phenix	93.8	+	4.5
Falls				Thompson PA	1240	+	[illegible]
BMW	593	–	11	**Falls**			
Brown Boveri	645	–	14	Nav Mixte	2083	–	101.9
Dragerwerk	350	–	10	Sanofi	1064	–	38.5
Hapag Lloyd	503	–	15	SCOA	[illegible]	–	1.3
Lufthansa	202	–	7	**TOKYO (Yen)**			
Mannesmann	387	–	11	**Rises**			
NEW YORK ($)				Hitachi	719	+	98
Rises				Japan Metals	1290	+	200
Adobe Systems	38¾	+	2	Kawashima	1200	+	160
BayBanks	18¼	+	1	Sakai Textile	779	+	[illegible]
Digital Equip	82¾	+	2¾	Tobu Store	[illegible]	+	300
Falls				**Falls**			
Ames Dep Store	2¾	–	1	Toyo Sash	4950	–	630
Hilton Hotels	51⅝	–	1¼				
Springs Inds	33	–	1				
PARIS (FFr)							
Rises							
B Dassault	385	+	21.1				
LONDON (Pence)				BAT Inds	[illegible]	–	15
Rises				Body Shop Intl	430	–	22
AsdaProp	98	+	5	BICC	425	–	9
Bass	950	+	10	Camford Eng	302	–	23
Cookson	194	+	2½	Lucas	[illegible]	–	11
Hammerson A	748	+	9	Next	73	–	6
Petrocon	72	+	15	RMC	615	–	25
Rolls-Royce	191	+	4	Siebe	457	–	4
Tesco	201	+	1	Taylor Woodrow	241	–	8
Wellcome	715	+	10	Ultramar	360	–	9
Willis Faber	268	+	5				
Falls							
ASDA Group	101	–	3				

Hoylake set on BAT fight

By Nikki Tait in London

SIR JAMES Goldsmith's Hoylake consortium said yesterday that it would continue the US regulatory battle resulting from its long struggle to take over BAT Industries, the tobacco-based conglomerate, despite receiving a serious setback in California.

The California Insurance Department ruled on Monday against Hoylake's application to take over BAT and sell its Los Angeles-based insurance subsidiary, Farmers Group, on to Axa Midi Assurances of France for $4.5bn.

Both Hoylake and Axa need approvals from nine separate state insurance departments. Hoylake cannot rebid for the tobacco-based conglomerate until these permissions have been obtained.

Hoylake said that it was still studying the decision from the Californian authorities, the first state regulators to rule on the matter. California announced on Monday that it was denying both the Hoylake and Axa applications – largely because of the leverage implicit in the Axa proposals and the lack of information on the Hoylake consortium and any new bid it might make.

However, Hoylake added: "We will aggressively continue our efforts in the regulatory process in the US."

The statement was toned down in London, although the substance did not change.

One of Sir James' long-time allies and a director of Hoylake, Madame Beaux, a French banker, was equally determined. "We are not giving up," she declared.

Although Sir James is out of the country at the moment, members of the Hoylake consortium are likely to meet over the next few days.

The consortium promised a further statement shortly.

Hoylake's reaction was in line with the initial response from Axa Midi Assurances. Mr Claude Bébéar, Axa's chairman who gave testimony in the Texas hearings yesterday, said emphatically: "We continue to fight."

"The first time BAT came for Farmers," he commented, "they had a 'no' in several states. It was later converted to a 'yes'."

BAT claims that such comparisons are "completely misleading", and that – apart from one state – the objections were of a more technical nature.

Commenting on the Californian decision, the UK group said this was "not surprising", and "no doubt the other eight states will reach similar conclusions."

Mr Bébéar noted that the Californian ruling had not criticised Axa's management, but centred its objections on the financing structure.

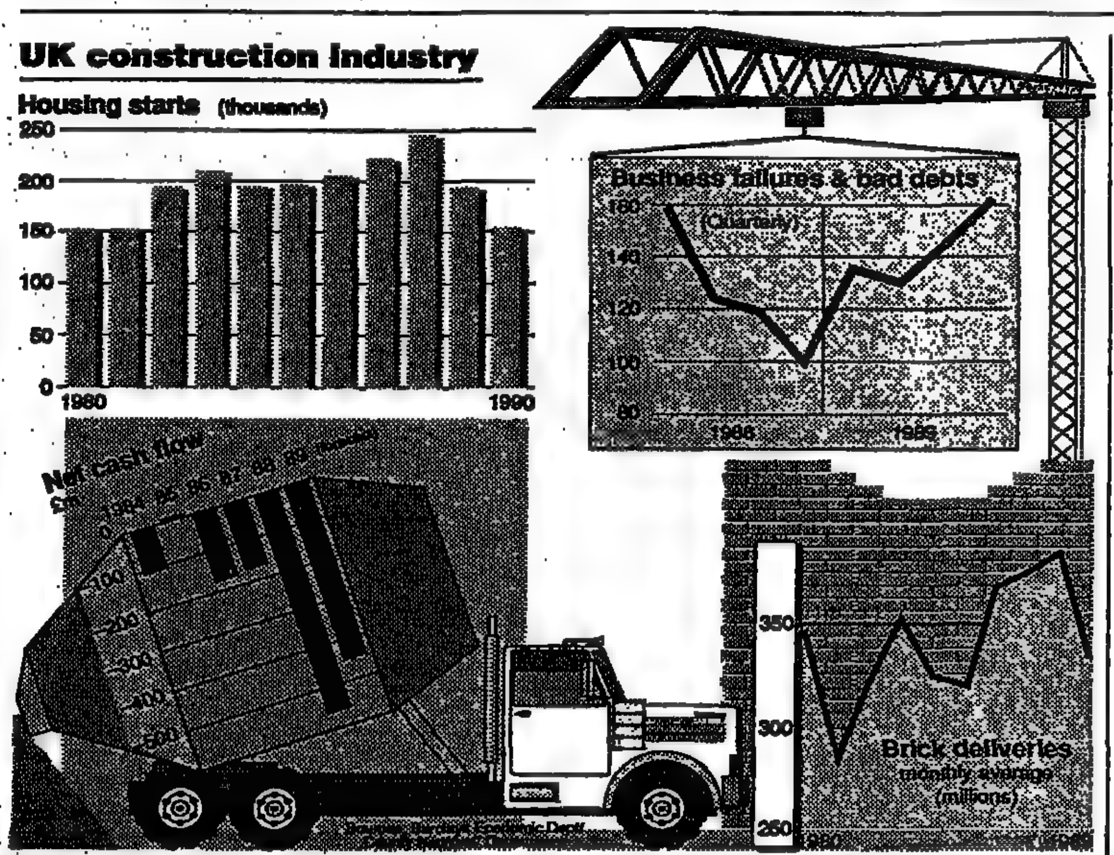
"We have the money," Mr Bébéar maintained.

Axa, he suggested, would now try to restructure the deal. Mr Bébéar declined to be drawn on how this might be done, although he conceded that accelerated sales of non-insurance assets might be considered. He denied any plans to bring in an outside partner.

Axa also played down suggestions that it would formally appeal the Californian decision through the law courts, preferring a representation of its proposals to the authorities.

Mr Bébéar added that he had spoken to Sir James following the ruling. Was the Anglo-French financier down-hearted? "He is never down-hearted," remarked the French chairman.

The fight continues, Page 29



Behind the crumbling façade of UK building

Andrew Taylor on the industry's growing problems

A For Sale sign stands forlornly outside a half-completed housing development in Essex; brick producers are closing kilns and sacking workers in East Anglia; British concrete manufacturers say prices are softening – a euphemism favoured by an industry which finds it hard to get its tongue around words like price cuts, falling sales and recession.

A large part of the British construction industry is clearly in retreat. Company failures and bad debts have increased as high interest rates have reduced demand for residential and commercial property. This has put a double squeeze on developers themselves overburdened with debt.

The latest casualty is Rush & Tompkins, the UK commercial developer and contractor, which on Monday asked London's International Stock Exchange to suspend its shares after they collapsed at one stage from 125p to 32p. The group said sharply rising interest rates had had a "severe adverse effect" on its borrowings. It warned that pre-tax profits had fallen steeply during the year to March and that it was reviewing options to stabilise its financial position.

In common with many construction companies, the group has moved away from its traditional contracting business into commercial and industrial development.

Contracting is a low margin business but a good cash generator. Increasingly, companies have used proceeds from contracting to invest in residential and commercial property development.

A cash flow analysis by County Natwest, the UK stockbroker, shows how the shape of the construction industry's finances has changed since 1980 as it has plunged into residential and commercial property development. According to the study, contracting companies – traditionally net generators of cash – accumulated a cash deficit of £1bn ($1.64bn) in the five years to the end of 1988. At least half of this figure arose in 1988 alone.

In a buoyant property market, sales of such properties produce much higher margins than contracting. Problems arise when property sales dry up and companies have insufficient cash to service their borrowings.

Mr Nigel Dunnett, managing director of Rush & Tompkins, has blamed delays in completing sales of developments for the big rise in group debt. Like other developers, the group has used off-balance sheet loans to finance a large number of commercial developments.

The strain is not confined to Rush & Tompkins. Another sign of the times is the way in which the rise in bad debts in the construction industry accelerated in the final three months of last year. According Mr Richard Roberts, construction economist at Barclays Bank, they rose by 14 per cent last year and could rise by between 15 per cent and 20 per cent this year.

The County Natwest study says: "We are in no doubt that the pressure is very real and that some companies are being severely squeezed to raise cash and reduce debt. Unfortunately the housing/property market has frozen, making it extremely difficult to generate cash internally. Much more worryingly, the sector appears to have been cash negative in 1989, the very year it should have been cash positive."

UK Construction industry companies reporting yesterday were Taylor Woodrow, RMC, Walter Lawrence and Erith Group, **Page 28**

Companies that have borrowed too much must either sell assets or persuade shareholders to put up more cash. If property demand is falling, however, developers may find they cannot sell properties at high enough prices to repay borrowings.

Kentish Property, a publicly-quoted east London residential developer, collapsed last summer when sales dried up at one of its Docklands developments. Halifax Building Society, which had lent £26m to finance the development, says it was forced to call in a receiver to the development when property prices fell.

The number of failed residential and commercial developers has risen sharply. These have included:

- Declan Kelly, a large private housebuilder which collapsed in February;
- J. M. Jones, a privately-owned contractor and commercial developer operating mainly in the Thames Valley, which failed the same month;
- Brims Holdings, a privately-owned contractor in north-east England, which went into receivership last month.

Large companies are also feeling the strain of exposure to house building or to development. Groups like Costain and John Laing, which 10 years ago earned between 75 per cent and 80 per cent of profits from contracting, have developed large housebuilding and property operations.

John Laing in 1988 earned profits of £51m from housebuilding, which accounted for more than 70 per cent of group profits of £71.2m. Last year, housebuilding profits tumbled by 35 per cent to £33.3m, accounting for half of group profits of £63.9m.

Costain, which is due to announce its 1989 results today, is expected to show a big fall in housing profits. These doubled to £25.8m in 1988 accounting for about a quarter of group trading profits. There is also speculation that Costain may write down the value of its land-bank, reflecting sharp falls in land prices in southern England.

Winners and losers among construction companies will be decided as much by where their businesses are as by what they are. Inland Revenue figures show that development land prices in East Anglia fell by 28 per cent during the 12 months to the end of October; they fell by 19 per cent in inner London and by 16 per cent in south-east England generally. Prices in northern England, however, rose by 43 per cent; by 57 per cent in north-west England and 36 per cent in Scotland. Developments outside southern England and East Anglia have been less badly affected by the rise in interest rates – particularly in the north where house sales and prices rose until the end of last year.

The outlook for the industry is not completely gloomy. Barclays' Mr Roberts says: "The recession is not as widespread as in the early 1980s when construction activity across the board was hit." Contracting, as distinct from property development, should remain strong for another nine months as the building cycle catches up with development schemes already committed or under way.

Those companies with civil engineering divisions should also do reasonably well if investments in roads and the newly-privatised water industry take place as planned.

None the less, with interest rates expected to remain high until the end of the year, there are likely to be more casualties among the smaller developers that flourished in the good years, but now struggle to survive.

Swedish Match in takeover discussions

By Robert Taylor in Stockholm

TWO big companies are interested in buying the lighter and match operations of Swedish Match – just four months after the company was sold by its former owner Stora, Europe's biggest pulp and paper producer.

Mr Massimo Rossi, president and chief executive of Swedish Match, said yesterday that the outcome of current negotiations would be clear within three to four weeks.

It has been suggested that the deal could be worth about SKr2.5bn ($410m).

Mr Rossi refused to be drawn any further on details of the proposed sale, or the identities of the companies involved.

However, the probable acquisition of Swedish Match by a foreign company is bound to arouse concern in the Government and trade unions who fear that the company might lose its Swedish identity if it became part of an international conglomerate.

Last year Stora agreed to sell its Swedish Match lighter and match operations to a Swedish-dominated consortium, including SPP and Skandia insurance companies, while Gillette and J.P. Morgan Capital Corporation acquired mostly non-voting equity in the new company.

Swedish Match believes that the proposed sale will mean it will not be necessary to divest the non-European parts of its lighter and match business.

Troubled British developer in talks with Hochtief

By David Goodhart in Bonn and David Lascelles in London

MR HOLM HEHNER, a director of Hochtief, the West German building firm which holds a 25 per cent stake in Rush & Tompkins, yesterday said he did not rule out increasing Hochtief's stake as part of an attempt to help the UK group out of its present difficulties.

Rush & Tompkins, a commercial developer and contractor, on Monday asked for its shares to be suspended on London's International Stock Exchange.

It said delays in selling developments had led to a substantial increase in group borrowings.

Rush & Tompkins warned that pre-tax profits had fallen sharply last year.

The group asked for its shares to be suspended for 48 hours while it considered options to stabilise its financial position.

Mr Hehner, who was at the Rush & Tompkins headquarters in London, said: "We have to study what steps need to be taken. All the options are open."

Hochtief originally bought a 22.9 per cent stake in Rush & Tompkins in March 1989 from the Govett Strategic Investment Trust. It subsequently converted preference shares taking its total to 25 per cent.

Lloyds Bank, the lead bank for Rush & Tompkins, said it had been holding talks with the company yesterday "to see what we can do."

It said Lloyds had been bankers to the company for a considerable time.

Mr Hehner said Hochtief had acquired its stake in Rush & Tompkins in an effort to increase its presence in the UK market and to benefit from the British building group's experience in property development.

Rush & Tompkins in return would benefit from Hochtief's experience in civil engineering.

Hochtief is currently benefiting from the booming West German construction industry and is also poised to pick up large construction and environmental protection orders in East Germany.

The company, which is 56 per cent owned by RWE, the diversified energy concern, reported a DM52.3m ($32.7m) profit on turnover of DM4.7bn in 1988-89.

The current year is expected to show a sharp increase in both turnover and profit.

Rush & Tompkins' last annual accounts showed net borrowings of £20.96m ($34m) representing almost 60 per cent of shareholders' funds of £35.11m at March 31 1989.

This, however, excluded off-balance sheet finance used to fund many of Rush & Tompkins' joint venture developments.

Such financing, in the form of non-recourse and limited recourse bank loans, totalled £89m at the end of March 1989.

3i and IBJ to launch venture capital group

By Stefan Wagstyl in Tokyo

THE BRITISH venture capital group, 3i, yesterday linked with Industrial Bank of Japan (IBJ), the country's top long-term credit bank, to establish a venture capital company in Japan.

The new company, owned 40 per cent by 3i and 60 per cent by IBJ and its affiliates, will offer venture capital services to small- and medium-sized Japanese companies.

For 3i, the agreement signed yesterday is an extension of overseas activities which began in 1982.

The company brings to foreign markets, expertise in venture capital developed since 1945.

For IBJ, the joint venture is part of a plan to develop ties with small- and medium-sized businesses at a time when many large Japanese companies – its traditional customers – no longer rely on the bank for their financing needs. Japanese companies are already well-supplied with venture capital groups, including Jafco, a specialist subsidiary of Nomura Securities, the leading stockbroker. However, Mr Neil Cross, 3i's international director, said these companies were mainly interested in financing companies in the final years before they were publicly floated. 3i's expertise was in longer-term finance and longer-term relationships.

Mr David Wilson, a 3i director who will be based in Tokyo, said: "The culture of Japan is different but it is changing. I believe it's an opportune time to do this."

The venture has an initial capital of Y480m ($3m). It is called 3iBJ in English and Kogin [industrial bank] Investment in Japanese.

INTERNATIONAL COMPANIES AND FINANCE

International Paper falls 23% on weaker markets

By Karen Zagor in New York

INTERNATIONAL Paper, the big US manufacturer of pulp and paper products, yesterday reported a decline in first-quarter income as the company felt the impact of a slow-down in its paper markets after several years of solid growth.

Net earnings in the three months ended March 31 fell 23 per cent to $180m from $223m a year earlier. Earnings per share declined less dramatically, by 16 per cent to $1.65 from $1.96 in 1989, thanks to fewer shares outstanding in the latest period.

Sales in the 1990 quarter advanced 23 per cent to $3.2bn from $2.6bn, with improvements registered in all of the company's significant businesses.

The decline in profits was no surprise on Wall Street, which had anticipated weaker paper markets. Shares in the company advanced $¼ to $52 yesterday in quiet trading on the New York Stock Exchange.

The company, based in Purchase, New York, attributed the decline to lower prices in its paper pulps and printing and writing papers businesses and to some disappointments in its manufacturing operations. Furthermore, International Paper was hit by a higher effective tax rate, of 40 per cent compared with 38 per cent a year earlier.

The most significant first-quarter price declines were for uncoated printing and writing papers, thanks to increased industry capacity, although sales volume remained at healthy levels. However, Mr John Georges, chairman and chief executive, said price increases effective April 1 indicated an improved supply-demand balance.

International Paper has been increasing its presence in Europe through the acquisition last year of the French paper company, Aussedat Rey, and more recently the German firm Zanders, which makes high-quality coated papers.

Interco reports further losses

By Roderick Oram in New York

INTERCO, the furniture and footwear group struggling under massive debts from a 1988 recapitalisation, has reported further large losses for its fourth quarter.

The results heightened speculation that the St. Louis-based company might have to sell one of the four core divisions it had planned to retain.

The company has halved in size after selling assets to help pay some of its debt. Its troubles stem from a hostile $74 a share takeover offer from the Rales brothers of Washington. To thwart it the company paid shareholders in 1988 a $76 a share dividend in a $2.6bn recapitalisation devised by Wasserstein, Perella, the investment bank.

Interco failed to raise as much money as expected from its asset sales and has had to renegotiate terms with its bank creditors. Under the leadership of Mr Richard Loynd, who took over as chairman last August, the company is trying to stabilise its precarious financial position.

For its fiscal fourth quarter, it reported a net loss of $23.3m or $1.11 a share, against a net loss of $5.9m or 49 cents. Sales fell to $380.3m from $483.1m. It had a net loss from continuing operations of $17.9m against a loss of $42.1m a year earlier. Its net loss from discontinued operations was $5.4m against a net profit of $36.3m a year earlier. For the year the net loss from continuing operations was $50.9m against a loss of $4.3m a year earlier. Discontinued operations turned in a net profit of $86.1m against a profit of $74.4m. The final net profit was $35.2m, against a profit of $70.2m. Sales fell to $1.66bn from $2.01bn.

Bombardier to acquire Learjet

By Roderick Oram

BOMBARDIER, the Canadian transportation equipment group, has agreed to buy Learjet, the pioneer maker of business jet, for $75m and the assumption of $38m of outstanding debt.

The purchase will further extend the aerospace interests of Bombardier which last year bought Short Brothers, the Northern Ireland aircraft and missile maker.

Mr André Bombardier, vice chairman of the Montreal-based company, said neither parties would comment on the deal until it was approved by the bankruptcy court in New York. Analysts believe it opens up the possibilities of co-operation between Shorts, Learjet and Bombardier's other aerospace activities.

Learjet is being sold by Integrated Resources, a financial services group which sought the protection of the bankruptcy courts in February. Integrated was closely linked with Drexel Burnham Lambert, the Wall Street firm which filed for bankruptcy protection on the same day.

Learjet makes light- and medium-duty executive jets which will complement Bombardier's larger Challenger business aircraft. Bombardier entered the sector by buying Canadair from the Canadian Government in 1986.

Founded in the late 1950s by Mr Bill Lear, a leading US aircraft designer, Learjet delivered its first aircraft in 1964. The company was sold to Gates Rubber of Denver in 1969 and then to Integrated in 1987, the latter paying about $87m.

The sale ends an uncertain period for the Wichita, Kansas, company. It was profitable on $264m of sales last year during which it delivered 25 aircraft. It has a nine-month order backlog for its models.

Time Warner in Pathé loan deal

By Martin Dickson in New York

TIME Warner, the media and entertainment group, has agreed to arrange a $650m bank loan to help Mr Giancarlo Parretti, the Italian financier who heads Pathé Communications, in his $1.2bn proposed acquisition of MGM/UA, the film and television studio.

In return Time Warner would provide worldwide distribution services for MGM/UA and Pathé's film libraries.

The agreement is a boost to Mr Parretti in the funding of his cash tender offer for MGM/UA, which is majority controlled by Mr Kirk Kerkorian, the California casino and hotel owner.

Wall Street has been sceptical about Pathé's ability to raise the necessary cash for the $20 a share offer, but with the Time Warner deal providing half the total, MGM/UA shares leapt by $1⅝ on the New York Stock Exchange to $18⅜ on the news. The offer closes on April 30.

A Pathé official was unable to give details of further funding but said the company was "still comfortable the deal can be completed by the end of the month." Mr Parretti is understood to have held talks with potential European partners who might take a stake in MGM/UA.

Time Warner said it would either arrange for, or provide on a bridge basis, a $650m loan to MGM/UA, provided Pathé's acquisition of the group went ahead.

It would also guarantee the borrowings.

Court rules on Owens-Illinois claims

INSURANCE companies are liable to meet claims arising from the use of asbestos in products made by Owens-Illinois, the Ohio-based glass container manufacturer, according to a New Jersey court judgment, writes Martin Dickson.

Lawyers involved in the case said the claims could total $960m in property damage and personal injury, although the maximum figure for personal injury, which account for most of the claims against the company, was $620m. But some insurance company officials questioned these sums.

The ruling is a setback for the insurance industry, although analysts said it set no precedent for other liability cases between asbestos manufacturers and insurers, since it was made at the county court level.

Judgments are only binding if made in an appeal court.

The case involves claims over insulating materials containing asbestos made by Owens-Illinois between 1948 and 1958.

Pearson and Elsevier postpone full merger

By Laura Raun in Amsterdam

NO FULL merger will take place in the foreseeable future between Elsevier, the Dutch publisher, and Pearson, the UK publishing, banking and industrial group, according to Mr Pierre Vinken, Elsevier's chairman.

But Mr Vinken said yesterday that Elsevier and Pearson may still agree on other forms of co-operation and noted that joint acquisitions and ventures are under consideration. Medical publishing, where Elsevier is the world leader, is one area where joint takeovers are possible, he added.

Pearson said last month that it and Elsevier were considering linking their medical publishing operations worldwide and then dividing them into advertising-supported and sponsorship-supported units.

Elsevier and Pearson swapped shares in 1988 in a strategic alliance described then as an engagement that could lead to a marriage within seven years. Elsevier, which is the second largest publisher in The Netherlands, now owns 9.3 per cent of Pearson, which in turn owns 22.4 per cent of Elsevier.

Last year Mr Vinken predicted that a decision over a merger would be made by the end of 1989. Yesterday he blamed the failure to consummate a marriage on legal, fiscal and technical difficulties. Equally important, Elsevier has become extremely expensive because of the appreciation of its share price and the depreciation of the British pound against the Dutch guilder.

Lord Blakenham, chairman of Pearson, recently echoed his counterpart's sentiments.

Plans for jointly owned financial newspapers in various European countries, including The Netherlands, were "on the shelf," Mr Vinken added.

Since the alliance was announced in September 1988 only one joint project – a financial news telephone line – has been set up. But the couple are increasingly contributing to each other's profits and their accounts are becoming closely intertwined.

Forex start-up costs hurt Dow Jones

DOW JONES, publisher of the Wall Street Journal and provider of business information services, has reported sharply lower first-quarter profits due to losses from a start-up foreign exchange trading system, writes Roderick Oram.

Net income for the three months ended March 31 fell to $24.9m or 25 cents a share from $200m or $1.99 a year earlier, which had included a $164.1m gain from the sale of its investment in a cable system. Revenues increased to $427.1m from $406.8m.

Operating income from information services fell to $35.8m from $54.6m on revenues 9 per cent higher at $184.3m. The downturn reflected losses from The Trading Service, a foreign exchange system.

Operating income from business publications increased to $26.2m from $21.8m and revenues rose 3.5 per cent to $189.8m.

Memorex Telex extends range with AT&T deal

MEMOREX TELEX has acquired most of American Telephone & Telegraph's synchronous terminals product line for mainframe computers for an undisclosed sum, writes Roderick Oram.

Although the worldwide market is large at about $5.2bn a year, it is declining under competition from other technologies. International Business Machines and AT&T, for example, have stated a preference for personal computers which can emulate synchronous terminals rather than using more expensive, purpose-built equipment.

None the less, Dataquest, the California electronics industry research firm, said the acquisition will broaden Memorex Telex's terminal product range and strengthen its market position as a distant second to IBM.

AT&T will continue to make the terminals for at least two years under Memorex Telex's name and will sell it certain sales, marketing and development operations to support the product line.

Memorex Telex was created in 1988 by the merger of Telex, which was fending of a hostile takeover, and Memorex.

In the fiscal year ended March 1989 the privately held, merged company reported net profits of $60.6m before minority interests and special items on sales of $2.24bn.

Acec-Union Minière up sharply to BFr11.8bn

By Tim Dickson in Brussels

ACEC-UNION Minière, the Belgian non-ferrous metals business which is almost 90 per cent owned by Société Générale de Belgique, reported yesterday that its trading profits jumped from BFr4.6bn ($131.4m) to BFr11.8bn in 1989.

The company, which was brought more firmly under the control of La Générale after a major reshuffle of assets last year, cited three main factors for the improved performance.

These were the high capacity utilisation in its factories (above 90 per cent), increases in the average price of metals and the impact of rationalisation measures.

Exceptional profits amounted to BFr7.13bn "reflecting the capital gains earned from the sale of property assets, some of which no longer fitted into the strategy of Acec-Union Minière."

Net consolidated profits of the company were put at BFr19.87bn for 1989 (against BFr1.27bn in 1988), a figure which is arrived at thanks to a tax credit of around BFr900m.

This came about partly from a change in the Belgian tax laws last year, and partly from the significant tax losses built up by Acec, the once-proud Charleroi engineering and electronics business which was dismembered ahead of the merger with Union Minière.

No forecast for Acec-Union Minière was given for 1990 but the company points out the zinc businesses are unlikely to enjoy a repeat of the high zinc prices last year.

It plans a total net dividend for 1989 of BFr168 per share for shareholders with full rights for the whole period.

● Solvay, the Belgian chemical concern, and Connecticut-based Dexter will form an equally-owned US joint venture for the development, manufacture, and sale of polypropylene compounds used mainly in the automobile industry, Reuter reports.

Solvay said certain facilities owned by Dexter in the US, and a new plant near Detroit to supply the automotive industry, would initially form the nucleus of the venture.

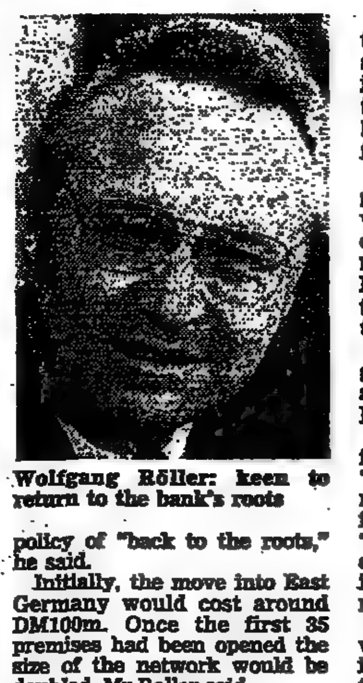
Buoyant Dresdner Bank plans E German growth

By Andrew Fisher in Frankfurt

DRESDNER Bank, the second largest bank in West Germany, yesterday announced a 17 per cent rise to DM1.9bn ($1.1bn) in group partial operating profits for 1989 – these do not include profits on own-account trading – and said it planned to open 35 branches in East Germany when the legal go-ahead had been obtained.

Mr Wolfgang Röller, the chief executive, expected official approval to be given very soon for foreign banking business in East Germany. Emphasising the bank's keenness to start full banking business there as soon as possible, he said activities in East Germany now had priority.

"Before the Second World War, the main part of our activities lay in what is now East Germany," he said. Thus it lost more of its business as a result of the war than most of its competitors which were more strongly established in the western part of the country. Dresdner's ambitions in East Germany represented a



Wolfgang Röller: keen to return to the bank's roots

policy of "back to the roots," he said.

Initially, the move into East Germany would cost around DM100m. Once the first 35 premises had been opened the size of the network would be doubled, Mr Roller said.

The bank intended to offer the full range of its banking services to both private and industrial customers. Before the war, the bank had 162 branches in the area that now forms East Germany.

Once countries like Hungary, Poland and Czechoslovakia followed East Germany's example and adopted the free market economy, Dresdner Bank would be present there in the same way it was active in the EC internal market.

Mr Röller stressed that "the gaze towards eastern Europe should not distort the view of Europe as a whole."

Commenting on the bank's financial performance, he said "our expectation of goods results was more than fulfilled." This year had got off to "an excellent start," with a rise of 8 per cent in partial operating profits in the first two months.

Full operating profits, which were some 20 per cent higher in 1989, rose at a faster rate than the partial result.

Hachette sells base for FFr2.8bn

By George Graham in Paris

HACHETTE, the French book and magazine publishing group, has sold the Paris building that housed its newspaper distribution activities for FFr2.78bn ($490.1m), after a two-round auction.

The buyer is Foncière des Champs Elysées, a property company controlled by Banque Indosuez. Indosuez last year partnered the property developer Kaufman and Broad in buying the former Shell building on Rue de Berri for FFr2.75bn, selling it on a few months later to a Japanese consortium for FFr1bn more.

The sale of the Nouvelles Messageries building on Rue Réaumur, close to the Paris Stock Exchange, is likely to be one of the largest French real estate transactions this year.

The price of FFr2.76bn, FFr1bn higher than the minimum bid fixed by Banque Arjil, which handled the auction, sets a value of FFr69,000 per square metre on the property, close to the levels previously reserved to the smarter 8th arrondissement.

The building includes, however, a sizeable area of basement, and some valuers suggest the price per square metre above ground of FFr83,000 represents an even higher valuation than that realised last year for the headquarters of the Pechiney aluminium group in the heart of the 8th arrondissement, sold for FFr2.76bn.

Only the Avenue Montaigne, running off the Champs Elysées, and the small prestige buildings in the Rue de Presbourg and the Rue de Tilsitt, circling the Arc de Triomphe, can command significantly higher valuations.

The 2nd and 9th arrondissements, around the stock exchange and the Opera, seem likely to change radically over the next few years.

Officials are keen to move the garment industry away from the narrow streets of the Sentier district to the outskirts of Paris.

In addition, some of the major commercial banks which have their headquarters near the Boulevard Haussmann are planning to relocate, possibly to the new financial district which the Government is trying to promote in eastern Paris, close to the new Finance Ministry building at Bercy.

This district has also been chosen by Nouvelles Messageries for its new headquarters, when it moves out of the rue Réaumur building.

France-Soir, the Paris evening newspaper, has also chosen Bercy, while the influential Le Monde has sited its new printing plant a little further to the east in Ivry.

Separately, Hachette said it had made net profits of FFr469.3m last year, up 43 per cent from 1988. Excluding extraordinary items, profits stood at FFr330.5m, stagnant from 1988's FFr322.7m in line with the company's forecasts.

The company said the gain from the sale of the NMPP building, net of taxes and commissions, would amount to FFr2.02bn.

AEG arm to become separate company

By Andrew Fisher

AEG, the West German electrical and electronics company, is changing its domestic appliances division into a separate shareholding company to enable it to react more quickly and flexibly to developments in the highly competitive world market for white goods.

Mr Heinz Dürr, chief executive of AEG and a board member of Daimler-Benz, its parent group, stressed that the move did not mean the household goods operation would be sold. The brand name was important for the company's image and the division was profitable.

Industry analysts said AEG's decision was mainly aimed at enabling it to enter quickly into partnerships or joint ventures with other white goods companies, if these arose. Among its main competitors are Bosch-Siemens, in which two leading West German concerns are linked, and Whirlpool-Philips, the US-Dutch operation.

AEG, which makes a wide range of goods at both the light and heavy ends of the electrical and electronics industries, said no alliances were currently planned in the household sector, but that the company would keep financial and management control in such cases.

Since its rescue from near collapse in the early 1980s, the sale of the profitable household goods division has often been mooted as a possible solution for AEG's shaky finances. But Mr Dürr has consistently stated that AEG, now back in profit, had no intention of parting with this activity, which employs 12,000 people.

Last year, AEG sold just over DM2.2bn ($1.3bn) worth of household goods, including washing machines, cookers, and refrigerators, a rise of 9 per cent on 1988. Nearly half of this went for export, with strong performances in Spain, The Netherlands and Scandinavia. Power tools accounted for a further DM400m, also a 9 per cent rise. For 1990, AEG expects white goods and power tools to achieve turnover of some DM3bn.

Dassault rises by 36% in spite of sales slowdown

By William Dawkins in Paris

AVIONS Marcel Dassault-Breguet Aviation, France's famous maker of jet fighters, yesterday unveiled a 36 per cent rise in profits for last year, and announced that it is to shorten its name.

Consolidated net profits of the group, to change its name to Dassault Aviation, rose to FFr582.5m ($102.55m), from FFr427.7m in 1988.

Group sales, however, rose by 4 per cent from FFr18.8bn in 1988 to FFr19.5bn last year, providing further evidence of the slowdown in French defence procurement, on which Dassault is heavily dependent.

The name change will be formalised at the annual shareholders' meeting on June 19.

The parent company's net earnings nearly doubled from FFr146m to FFr295m, which Dassault attributes to the first fruits of its efforts to improve productivity. Last month's closure of its factory at Colomiers in Toulouse will continue to bring productivity gains to this year's results.

Parent company sales were roughly unchanged at FFr17.4bn. Exports accounted for 63 per cent of the parent company's turnover, while military sales represented 78 per cent of the total, with the remaining 22 per cent devoted to civil aircraft and space equipment sales.

Mr Serge Dassault, the chairman, said the main points of 1989 were the French Government's decision to continue the development of the Rafale jet fighter (crucial to the group's future), good sales of the Falcon range of business jets and the expansion of the group's space activities.

Dassault received FFr16.5bn of orders last year, of which 28 per cent was in civil aircraft and space equipment, with the remainder in military sales, still the dominant part of the group's business. This compares with the FFr15.9bn of orders received in 1988.

Karstadt in talks on pact with Centrum-Warenhaus

KARSTADT, West Germany's largest retailer, is interested in entering a co-operation agreement with a large East German chain of retail stores, the chairman of the company confirmed, AP-DJ reports.

In contrast to published reports, it has not yet completed an agreement, Mr Walter Deuss said in a telephone interview. He said a report that Karstadt was going to enter a co-operation agreement with 12 of the 14 stores in the East German Centrum-Warenhaus group was "premature."

"We've been in talks for the last several days," Mr Deuss said. "We're still engaged in talks. We're interested in co-operation, but how that will be constructed and in what form it will be, still must be cleared up."

The article in a West German magazine had said that Karstadt was going to have a co-operation agreement with 12 of the 14 Centrum stores, but that rival Hertie of Frankfurt was going to buy a stake in Centrum's two Berlin stores.

But Mr Deuss said Karstadt was interested in a co-operation agreement with all 14 Centrum stores, including the two large outlets in Berlin. Centrum is based in Leipzig.

More than a third of Centrum's 1989 sales of 3.8bn East German Marks derived from two stores in Berlin. The Alexanderplatz shop in the heart of East Berlin had sales of 560m marks and the store near the main train station had sales of 650m marks.

Officials for Hertie could not be reached for comment. Hertie was previously based in Berlin and has its flagship store there.

Analysts said Karstadt, if successful, could gain a considerable lead on its competition.

NEWS IN BRIEF

Siemens has go-ahead in Nixdorf bid

THE Federal Cartel Office has approved without any conditions Siemens's application to acquire 51 per cent of Nixdorf Computer, Agencies report.

Siemens said last month it was confident the cartel office would approve the takeover.

The group said it was too early to say when it would raise its stake in Nixdorf, as accountants now had to determine the value of Nixdorf.

After the evaluation, Siemens would decide how large a stake it and Nixdorf would have in Siemens-Nixdorf Informationssyteme, the new joint company.

■ Philips had a rise in sales in first quarter of 1990 in line with company hopes, Mr Cor van der Klugt, chairman, told the annual shareholders' meeting. He gave no details.

He added that the restructuring effort that Philips embarked on three years ago had largely achieved the results desired and the company would now enter a consolidation phase.

■ Volvo, the Swedish vehicle group, said it would propose Raymond Lévy, chief executive officer of Renault, the French car manufacturer, as a new board member.

Volvo, which announced a cross-shareholding pact with Renault in February, said it would also propose Mr Christer Zetterberg, its new managing director, as a board member at the group's annual general meeting on April 25 in Gothenburg.

Mr Gunnar L. Johansson, Volvo's former managing director, has announced his resignation from the board.

■ Sony said it would invest FFr300m ($52.8m) in the construction of a new plant in south-west France to manufacture components for its European factories.

The plant, in Bayonne, is due to start producing optical pick-up devices for compact disc players and printed circuit boards in June 1991.

The group already produces hi-fi and video products at three plants in France, and a new magnetic tape plant is under construction near Bayonne.

INTERNATIONAL COMPANIES AND FINANCE

Ringing up a record $3bn sell-off

Canute James on the sale of the Puerto Rico Telephone Company

Although it carries a relatively high price tag of $3bn, bidders are already lining up to purchase the Puerto Rico Telephone Company, which the island's Government is selling in what will be the largest privatisation in US history.

According to Puerto Rican officials, the list of about 20 interested purchasers is headed by BellSouth Corporation, GTE and the Spanish Telephone Company.

The sale, at the price the island's administration is asking, would be a new US record, higher than the $1.65bn paid in the divestment of Conrail in 1987.

The Government of the US Caribbean possession should have little difficulty in concluding arrangements for the sale. There is widespread support for the divestment from the island's business sector, which believes a privately owned telephone company will provide better service.

There is also support for the Government from some opposition legislators on the island.

The planned sale of the company by the administration of Mr Rafael Hernandez Colón, Puerto Rico's governor, is not motivated by new thinking on the role of the Government in the economy. It was Mr Hernandez Colón, in an earlier term, who was behind the Government's acquisition of the telephone company in 1974 from ITT for $165m.

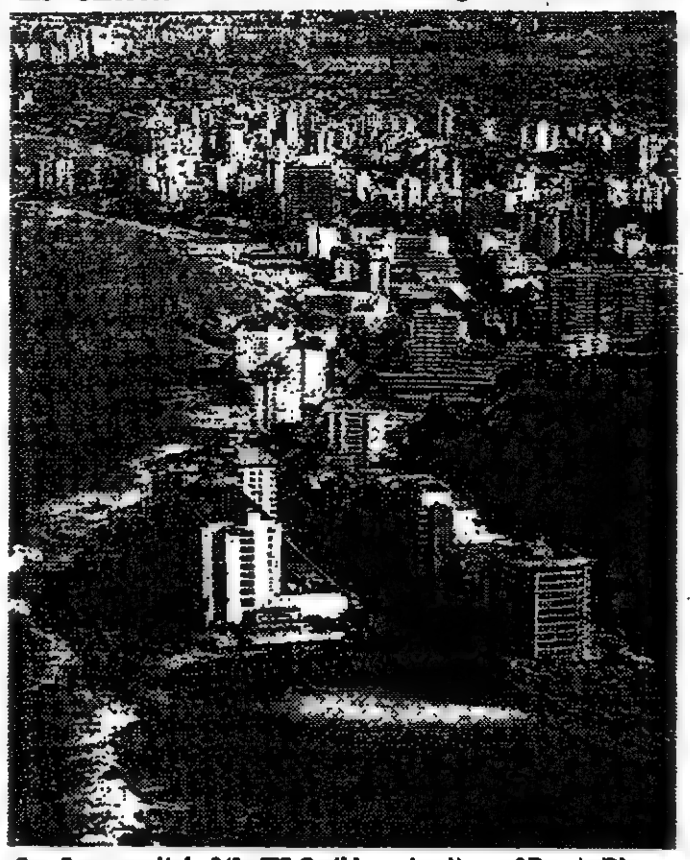
The governor says the company is being divested because his administration needs the money. He said $2bn from the divestment will be used for two trust funds, the proceeds from which will be used to finance infrastructural development and public education on the island of 3.3m people.

The sale of the telephone company is being handled by the Government Development Bank of Puerto Rico, with advice from Goldman Sachs, a New York investment firm. Mr Ramon Cantero Frau, president of the bank, said the $3bn which is being asked will provide the funds for the trusts, while covering the telephone company's outstanding debts of $950m, brokers' charges and legal fees.

The price being asked is based on the potential of the company. It is the 14th largest telephone company in the US, according to Mr Fabio Garcia Matienzo, the firm's president. He said the company has earned an average of $73.5m annually for the past five years. Its assets at the end of December were put at $1.57bn, while operating revenues last year were $591.6m.

Assessments of the company's real value are based on several factors.

"We cannot visualise the proposed sale in terms of our island market alone, because we are part of an active world industry," Mr Garcia said. "Puerto Rico could become a telecommunications hub for the Caribbean and Latin America."



San Juan, capital of the US Caribbean territory of Puerto Rico

Mr Cantero Frau argued that the market value of the company was considerably higher than its book value. He contended that similar telephone companies in other countries have been sold for between two times and five times their book value.

Government officials have said, however, that if the net target of $2bn cannot be realised from the sale, the company will remain government property.

The company's potential value is aided by the fact that it has a monopoly on telephone services on the island. There is also room for a significant expansion in basic services. Puerto Rico's telephone system has 28 access lines per 100 people, against a US average of 41 lines.

The company's value is enhanced by the profitable operations of two subsidiaries which handle long-distance facilities and cellular phones.

Although the business community is behind the Government's plan to divest the company, potential purchasers may be concerned that the island's trade unions have objected strongly. Sixty unions, representing about 100,000 workers, called a general strike late last month to protest against the divestment. The unions are threatening to sue the Government if legislators approve the divestment.

"We cannot see any way that the telephone company can be sold that will not adversely affect the working class and the general public," said Mr Federico Torres Montalvo, a representative of the Labour Organisations Committee. "We will fight at every court possible."

Reacting to the Government's undertaking that the purchasers of the telephone company will guarantee job security for the first three years, Mr Torres said: "Add all labour guarantees you want in a privatisation bill, it still means nothing. Federal courts will never uphold those guarantees under federal labour law."

Clearly anticipating that these objections will not delay the divestment, the island's administration is planning to table legislation shortly to create a regulatory agency to govern the operations of telephone and telecommunications services.

Mr Cantero Frau said that once Puerto Rican legislators approve the sale a buyer will be selected from the list of interested companies, in the hope of concluding the transaction some time next year, after approval for the transfer of operating permits is given by the Federal Communications Commission.

The Government has already closed the door on one method which potential purchasers may have considered using to finance the divestment. They will be barred from using low-interest loans from deposits made in Puerto Rican banks by companies operating in the island, and which benefit from tax exemptions granted under the US Revenue Code.

"Allowing a buyer to use these funds would be like shooting ourselves in the foot," contended Mr Cantero Frau. "We have about $8bn in these funds on the island. If a buyer borrowed $2bn or so, it would strain liquidity and send interest rates through the roof."

The Government also decided at the outset that it would be better to sell the telephone company to a private firm rather than through a share issue, arguing that the return was likely to be much less than the $3bn target.

Finnish banking on the verge of dramatic shake-up

Enrique Tessieri looks at growing pressures to be more profitable

Like their counterparts in Denmark, Norway and Sweden, Finnish banks are on the verge of experiencing one of the biggest upheavals in their history. The shake-up would mean closing down hundreds of branch offices and laying off thousands of people.

Mr Björn Wahlroos, a director of Union Bank of Finland (UBF), one of Finland's two largest banks, said banks would be up for sale in the next two to three years.

As in the other Scandinavian countries the biggest catalyst of change is the European Community's plans to ensure the free movement of capital by 1993.

The protected days of Finnish banking are coming to an abrupt end, forcing banks to become more profitable and cost-conscious in the face of stiffening competition.

The job of slashing overheads will be difficult considering how over-banked Finland is. At the end of 1989, there were 550 commercial, savings and co-operative banks with a total of 3,499 branch offices to serve a small population of 4.9m.

To add to the problems, credit losses incurred by all Finnish banks surged from FM900m ($225m) in 1988 to FM1.65bn in 1989. High interest rates which rose to 16 per cent last autumn cost commercial banks alone FM34bn, or 48 per cent higher than in 1988.

Another factor that has put strains on banks were new cash-reserve requirements by the Bank of Finland to halt excessive lending. These requirements rose from FM20bn to FM25.5bn last year.

Mr Jaakko Lassila, president of Kansallis-Osake-Pankki (KOP), one of Finland's two largest banks, does not exclude the possibility of a dramatic shake-up.

He stressed, however, that there will not be a rash of bank mergers like in the other Nordic countries since the banking sector is dominated by two banks: KOP and UBF.

Mr Ahti Hirvonen, president of UBF, acknowledged that Finnish banks would have to close down hundreds of branch offices as well as leave thousands of bank employees without work to bring costs down.

Although Mr Hirvonen would not elaborate, an analyst felt that the number of unemployed could reach 10,000 and that over 500 branch offices would have to be closed down. Some believe that these changes will happen after the parliamentary elections of March 1991.

The presidents of KOP and UBF felt that the changes ahead would not put any great strains on Finland's two largest banks. Mr Lassila said it may be another story for the smaller savings and co-operative banks, which will most likely be forced to merge and specialise.

At the end of 1989, there were 178 savings banks with 1,318 branch offices and 360 co-operative banks with 1,206 offices.

The banking scene got a jolt last week when an extensive cost-cutting programme by state-owned Postipankki was leaked to the press. In an effort to slash costs, the report revealed that Postipankki plans to pull out from 1,900 post offices. The bank has 101 branch offices but offers its banking services at some 2,900 post offices.

Since Postipankki's 1989 financial result was one of the sector's worst, a high-ranking bank official felt that Postipankki may be one of the first large commercial banks to succumb to the shake-up, even if there is at present a law which forbids the bank from being merged.

"Our biggest challenge is how to stay profitable and competitive in the face of increasing competition," said Mr Seppo Lindblom, president of Postipankki. "By Finnish standards we are a big bank with a 15 per cent slice of the market, but a small bank when compared to European standards."

LEGAL NOTICES

INTERNATIONAL COMPANIES AND FINANCE

Two leading Mitsubishi companies to merge

By Stefan Wagstyl in Tokyo

MITSUBISHI METAL, Japan's largest smelting company, and Mitsubishi Mining and Cement, a leading building materials producer, yesterday announced plans to combine their activities. The move is one of Japan's biggest post-war industrial mergers.

The deal is a sign of the willingness of Japanese companies, encouraged by the Ministry of International Trade and Industry, to consolidate in mature industries.

Both non-ferrous metal and cement producers are likely to face increasing competition from imports from Asian countries in the coming years. Cement companies are particularly concerned about competition from South Korea, where producers are expanding output rapidly. The new group, provisionally named Mitsubishi Metal Cement, will have annual sales of Y900bn ($5.7bn), pre-tax profits of Y40bn, assets of Y880bn and 9,000 employees. The companies' stock will be merged in the ratio of nine Mitsubishi Metal shares for every 10 Mitsubishi Mining.

Mr Takeshi Nagano, president of Mitsubishi Metal, will be chairman of the new company. The president will be Mr Masaya Fujimura, president of Mitsubishi Mining. It will start operating on December 1.

The merger is the result of two years of discussions between the groups, which have been reviewing their strategies after separately closing their original businesses in metal and coal mining in Japan.

Mitsubishi Metal was one of Japan's largest producers of non-ferrous metal ores and Mitsubishi Mining was the country's largest coal mining company, with extensive operations in Hokkaido, in northern Japan.

The closures were spread over a decade to alleviate the disruption caused to mining communities. This was in line with Japanese government policy and business practice. The closure of Mitsubishi Mining's last coal mine this winter paved the way for yesterday's announcement.

Relations between the two groups are close because of a common history and common membership of the Mitsubishi family, the largest of Japan's industrial groupings. Until 1950 the two companies were divisions of Mitsubishi Mining. The companies said they had the same assessment of the future challenges they faced.

They said they could increase their financial strength by combining the volatile profits to be made from non-ferrous metals with the more stable returns to be earned from cement. They also intend to co-operate in new product development – matching Mitsubishi Metal's knowledge of metals, including metallurgical powders, with Mitsubishi Mining's skills in ceramics.

Both companies have been actively diversifying in recent years, including supplying new materials to the electronics industry. Mitsubishi Metal has some 12 per cent of its turnover in new materials, 10 per cent in aluminium cans, and 21 per cent in processed products, including nuclear fuel. Its core business is the smelting of copper and other metals from imported ores.

Sales in the year to March 1989 were Y718.5bn. Pre-tax profits were Y20.1bn.

Mitsubishi Mining and Cement diversified into cement from coal mining. Cement now accounts for about half its sales, with the rest divided between distributing petroleum products, making building materials, and new products. Its sales in the year to March 1989 were Y188bn and pre-tax profits Y14.6bn.

Pickens appeals to Japan's fair trade officials

BOONE CO, an investment company owned by Mr T. Boone Pickens, the US investor, yesterday called on Japan's Fair Trade Commission to investigate possible violations of the country's anti-monopoly laws by domestic automakers and parts suppliers, AP-DJ reports from Tokyo.

Mr Yoshiro Sekine, a commission official, said the commission would study Boone's claims. Mr Pickens has been seeking greater participation in the management of Koito Manufacturing, a Japanese auto parts maker, after becoming its largest single shareholder in March 1989.

Mr Sekine said Boone claimed that Japan's 11 automakers put unfair pressure on parts suppliers to lower the prices of their products. Boone also claimed that the automakers' close relations with parts makers limit free competition among the parts suppliers and hindered entry by outside companies, especially foreign makers, into the Japanese market.

Koito's second largest shareholder is Toyota Motor.

Nissan replaces president of troubled Fuji Heavy Industries

By Stefan Wagstyl

NISSAN MOTOR, the Japanese automotive group, has dispatched a senior executive to take charge of Fuji Heavy Industries, its Subaru car making affiliate which has run into financial difficulties.

Mr Isamu Kawai, president of Nissan Diesel Motor, another Nissan group member, yesterday took over as president of Fuji Heavy from Mr Toshihiro Tajima, who insisted as recently as last month that he would stay in charge of Fuji Heavy and lead its recovery.

The shake-up indicates that the problems at Fuji Heavy may be more serious than previously thought. The company indicated last year it would make an operating loss of some Y3bn ($19m) for the year which ended in March. Last month it was forced to raise the estimated loss to Y23bn.

Fuji revealed in January it was seeking support from Nissan Motor and from Industrial Bank of Japan (IBJ), its main bank. But Mr Tajima said he wanted co-operation without undermining Fuji's independence. Mr Tajima will now move to the largely honorary position of chairman.

The moves highlight a need for restructuring and co-operation among Japanese vehicle makers. The 11 companies making cars and trucks have fought off attempts by the Ministry of International Trade and Industry to encourage outright mergers, while at the same time resorting more to co-operation agreements.

Like some other small manufacturers, Fuji Heavy has struggled to keep pace with large manufacturers. It has tried to operate in various niche markets – including minicars with engines of up to 550cc and four-wheel drive cars.

A boom in minicar sales in the mid-1980s ended abruptly last year. Fuji Heavy has suffered particularly badly because it is number three in the market behind Daihatsu and Suzuki Motor. Exports to the US of Subaru brand four-wheel drive vehicles and of the Legacy, a sporty compact, have also declined.

Fuji Heavy's operating profits have fallen from Y11.2bn in the year to March 1987 to Y2.7bn last year on sales of Y663bn. This drop is not apparent at the pre-tax level, where profits have been bolstered by income from investments. Pre-tax profits last year were Y13.9bn.

Nissan has a 4.5 per cent stake in Fuji Heavy and IBJ, the main banker to the whole Nissan group, has 4.2 per cent. Nissan Motor was one of the biggest components of the pre-war Nissan *zaibatsu*, or industrial grouping, which also included forerunners of Fuji Heavy. The *zaibatsu* was broken up after the war, but its constituent companies have stayed in touch.

Nissan said it would co-operate fully with Fuji Heavy if it were asked for help.

Mazda confirms rental venture with Hertz

MAZDA MOTOR, a big Japanese automaker, confirmed yesterday that it is to establish a car rental and leasing venture in Japan with Hertz of the US, the world leader in the business, Kyodo reports from Tokyo.

Mazda will put up 90 per cent of the capital for the new company, which will be named Hertz Japan, while Hertz will furnish the rest, Mazda officials said.

Mazda then plans to transfer 40 per cent of its capital to other companies, including non-life insurers and travel agencies.

Mazda, which plans to begin operations in August, hopes to have 250 outlets and 10,000 vehicles by the end of 1993, the officials said.

The new venture will operate as a nationwide franchise that will use Hertz's international network and allow its customers to make reservations and payments from its domestic outlets.

The venture's fleet will include Mazda cars and other Japanese and foreign makes.

Rural sales aid Hindustan Lever's 21% profit surge

By R. C. Murthy in Bombay

SALES AND profits of Hindustan Lever, India's third largest private sector company in terms of turnover, rose strongly last year on the back of a breakthrough achieved in rural marketing.

Profits before tax rose 21.4 per cent to Rs1.02bn ($60m) on a 22 per cent growth in sales to Rs13.23bn.

Profits after tax were Rs590m against Rs510m.

Rural sales of Hindustan Lever, a subsidiary of the Anglo-Dutch Unilever, grew more swiftly than the more mature urban markets, a trend which the company expects to accelerate further this year because of the emphasis in the Indian Government's budget on rural development.

Dr A. S. Ganguly, chairman, says Hindustan Lever has developed a cost-effective marketing network for 34,000 villages, in addition to the 3,500 urban centres it already covers.

Dr Ganguly, who has been appointed Unilever director for research, will be succeeded by Mr S. M. Datta, at present vice chairman, after the annual meeting on May 18.

Hindustan Lever makes soaps, detergents and personal products. In-house research has led to the use of unconventional raw materials. In recognition of this, Unilever was allowed to hold 51 per cent of the equity against the usual foreign ownership ceiling of 40 per cent for consumer companies.

The annual dividend is being lifted to 35 per cent from 32 per cent.

Hopewell profit up 2 per cent to HK$298m

HOPEWELL HOLDINGS, a Hong Kong property and construction group, advanced after-tax profit by 2 per cent to HK$298m (US$38.2m) in the half-year to December, AP-DJ reports from Hong Kong.

Turnover increased 9 per cent to HK$727m. The interim dividend is 11 cents a share, up from 10 cents.

Mr James Wu, chairman, said investment properties provided an increased flow of rental income. Income from the company's hotel in Canton held at the previous year's level, despite a decline in tourism to China, and was expected to show reasonable growth.

Financing of the Canton-Shenzhen-Zhuhai highway, which ran into trouble after the shootings in Tiananmen Square, was being actively negotiated.

INTERNATIONAL CAPITAL MARKETS

Revolution in the air for US securities traders

Deborah Hargreaves examines the likely impact of two arcane changes to the SEC's unwieldy rules

The approach of a more liquid private placement market for debt and equity in the US which will be created by the much-debated rule 144a is being hailed as a revolution for US securities trading, but the market is not likely to change overnight.

Rule 144a and its counterpart, regulation S, are two arcane changes to the US Securities and Exchange Commission's unwieldy rulebook which will remove the influence of the US regulator from the sophisticated institutional market place.

The US private placement market has grown to an estimated level of more than $100bn last year, but although securities can be placed privately extensive restrictions cover their re-sale.

The new rules will create a closed market in which institutions will be able to trade debt and equity in an environment fairly free of regulation.

At a meeting on April 19 the SEC will finalise the arrangements for rule 144a, including the qualifications for an institution to join the market.

The entry level could be set at a securities holding of between $50m and $100m to try to keep the private market for the large, professional traders.

The private market is expected to encourage foreign companies to make equity offerings in the US without having to go through the long-winded process of registering with the SEC.

However, it would be falsely optimistic to expect a flood of international issuers, according to Mr Charles Stonehill at Morgan Stanley, the US broking house. At a conference organised by Equity International and sponsored by the National Association of Securities Dealers (NASD), Mr Stonehill said although the approval of rule 144a is an important event from a technical and regulatory point of view, "I wouldn't overstate the case for immediate change."

US investors have some $75bn allocated to foreign equities and although their interest is growing they are still well behind their Swiss and UK counterparts, where the equivalent of $120bn and $200bn respectively is invested in foreign stocks.

US investors are looking to put their money into global companies which they understand or stocks which represent a proxy of a market, such as Deutsche Bank. They do not want to invest in middle-ranking concerns which they do not understand and about which they have little information.

Without the SEC's quarterly reporting requirements investors will have even less information about foreign companies, Mr Stonehill argues. For that reason companies may not keep a whole new raft of investors by making a share offering into the US market, and to start with can expect a good deal of flowback, selling back shares to the home market.

However, other market players believe flowback is an inevitable part of the growing internationalisation of capital flows and must be accepted as a consequence of any attempt to broaden shareholders.

One of the benefits of the private placement market that will be developed under rule 144a will be the ease with which tranches of international equity placements may be offered to institutional investors. The additional liquidity that will be created will enable larger tranches to be sold in the US.

The NASD has developed an electronic system, called Portal, for trading debt and equities under rule 144a. This means the NASD will ensure all dealers on the system will be qualified to operate in the new market, creating a closed system which will prevent leaks to the retail market.

Portal will be a safe harbour for the institutional market which will clear and settle transactions on a five-day basis through Cedel, the European clearing house.

Yet since Cedel does not accept UK equities, arrangements for trading them through Portal are more cumbersome than those for other European stocks since they involve the creation of an unregistered American depositary receipt which will be cleared in New York.

The system could also prove expensive to use. The NASD intends to provide the system free for the first six months, after which it will formulate the service charge and transaction fee. Competitive systems, such as the American Stock Exchange's Situs, are also under development.

The NASD will monitor a get-out clause for firms wishing to sell their securities back to the home market or to move on to an SEC-registered exchange with a programme of American depositary receipts.

So far, some 80 ADR programmes trade in the US and rule 144a could take some business from them.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9¼ 93	140	101	101¼	0	+0¼	9.16
B.F.C.E. 8¾ 94	175	†96½	97	0	+0¼	9.29
B.F.C.E. 9¼ 95	150	99½	100	+0¼	+0½	9.29
Brit. Tel. Fin. 9⅜ 98	250	†99⅛	99⅝	0	−0¼	9.42
Canada 9 96	1000	99¼	100¼	0	+0¼	8.99
C.C.C.E. 9¼ 95	300	99⅝	100⅛	0	+0¼	9.27
Cr.Local France 8⅞ 99	250	95⅛	96⅛	0	+0¼	9.47
Credit National 7⅞ 92	100	96¼	97¼	+0⅛	+0½	9.04
Credit National 9½ 92	160	†100½	101	+0⅛	+0¼	9.14
Denmark 8¼ 94	150	†95⅝	96⅛	0	0	9.42
E.E.C. 7 91	100	96¼	97¼	+0⅛	+0¼	8.99
E.E.C. 10 93	140	†101¼	102¼	+0⅛	+0¼	9.20
E.I.B. 8½ 99	150	94¼	94¾	0	+0¾	9.38
Eurofima 10⅛ 93	100	†102	102½	0	+0¼	9.21
Elec. De France 9½ 99	200	†100¼	100¾	0	+0¼	9.41
Euro.Credit Card Tst. 9 95	750	97⅞	98¼	0	+0¼	9.52
Finland 9 96	250	98⅛	98⅝	−0⅛	+0¼	9.29
Finn.Exp.Cd. 8½ 92	200	98¼	99¼	0	+0⅛	9.15
Finn. Exp. Cd. 9⅜ 95	200	†99⅝	100⅛	0	+0¼	9.38
Ford Motor Credit 8 91	250	†98¼	99¼	0	+0⅛	0.09
G.E.C.C. 10½ 91	300	101¼	101⅝	0	−0⅛	0.09
G.M.A.C. 8¼ 94	500	†96⅛	97⅛	0	+0¼	9.59
G.M.A.C. 9 96	300	97⅛	97⅝	0	+0⅝	9.56
Gen.Mtrs.Corp. 9⅛ 92	200	†99¼	99⅝	0	+0¼	9.27
Honda 9⅝ 97	300	99⅛	99⅝	0	+0¼	9.74
IBM Credit Corp. 8¼ 92	400	98⅝	99⅛	0	+0¼	8.98
IBM Credit Corp. 8⅞ 91	250	†99⅛	99⅝	+0⅛	+0¼	9.25
IBM Credit Corp. 9 92	250	99½	100	0	+0¼	9.08
IBM Credit Corp. 9½ 92	250	100½	101	+0⅛	+0¼	9.02
Italy 8½ 94	1500	97	97½	0	+0¼	9.24
Italy 9½ 95	1000	100½	101	0	+0¼	9.30
Italy 9⅝ 99	1000	101	101½	0	+0½	9.40
Itoh C. W/W 4⅞ 94	1000	95⅛	96⅛	+1⅛	+3⅛	5.75
Japan Dev. Bank 10 96	200	†102¾	103¼	0	+0¼	9.32
KFW Intl. Fin. 9 94	300	99	99½	0	+0¼	9.18
L.T.C.B.of Japan 8¼ 96	200	95¼	96¼	0	+0⅛	9.60
L.T.C.B.of Japan 9¼ 92	200	†99¼	99⅝	0	+0⅛	9.43
New Zealand 9 94	850	98¼	98⅝	+0⅛	+0¼	9.44
Nippon Tel.&Tel. 8½ 96	200	95⅛	96	0	+0⅛	9.39
Nippon Tel.&Tel. 9⅜ 98	250	†99½	100	0	+0⅝	9.40
Norway 8¾ 93	500	†99	99½	0	+0⅛	9.04
Oesters Kontbk. 9¼ 94	350	†99⅞	100⅛	0	+0¼	9.45
Sumitomo Corp. W/W 4 93	1500	†102	103½	0	+5⅛	3.08
Sweden 8¾ 96	200	97⅛	98	−0⅛	0	9.28
Toyota Mtr.Corp. W/W 4 93	1500	†101	102½	+0⅛	+2⅛	3.40
Victorian Rep 11⅛ 92	150	103⅝	104⅛	0	−0⅛	9.45
Union Bk. Switz. 9⅛ 02	225	96¼	97¼	0	+0¼	9.55
World Bank 8⅛ 99	1500	95¼	96¼	0	+0⅛	8.86
World Bank 9 97	300	†98¼	99¼	0	+0⅛	9.18
World Bank 9 93	300	99⅞	100¼	0	+0¼	8.97
World Bank 9⅛ 98	300	†99	99½	0	–	9.36
World Bank 9⅝ 99	500	101⅛	101⅝	0	+0⅛	9.34

Average price change... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88½	89	0	−0¼	9.03
Austria 6⅛ 99	750	†86¼	86⅝	−0⅛	−1½	8.95
Bk.Frgn.Econ.USSR 7 96	750	*†89¼	89⅝	0	+0⅛	9.31
Bank of Tokyo 5⅛ 93	100	92⅛	92⅝	+0⅛	0	8.85
Commerzbank o/s. 5⅞ 93	300	91½	92	0	+0⅛	8.87
Credit Foncier 6⅞ 99	500	†86¾	87¼	−0⅛	−0⅛	8.91
E.I.B. 6⅛ 99	600	84	84½	−0½	−1	8.90
E.I.B. 6½ 99	300	†85¼	85⅝	−0⅛	−0⅛	8.92
E.I.B. 6⅝ 96	600	90¼	90⅝	−0⅛	+0⅛	8.72
E.I.B. 6⅞ 95	300	90⅝	91⅛	−0⅛	−0⅛	8.97
E.I.B. 8 2000	500	96⅛	96⅝	−0⅛	−1¼	8.53

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	60	98⅝	99⅛	0	0	0.07
Canada 5⅝ 93	60	95⅛	95½	0	+0⅛	7.24
Cr.Local France 6⅛ 94	300	95¼	95½	+0⅛	+0⅛	6.47
Denmark 6⅛ 95	300	95¼	95½	+0⅛	+0⅛	6.67
E.I.B. 4⅞ 93	30	94⅛	94⅝	−0⅛	+0⅛	7.14
Norway 5⅛ 95	50	91¼	91¾	+0⅛	0	7.25
Sweden 4⅞ 93	50	92⅛	92⅞	−0⅛	+0⅛	7.32
World Bank 5⅛ 98	10	87	87½	−0⅛	+0⅛	7.32
World Bank 7 94	20	98¼	99¼	0	0	7.33

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	†88¼	†88⅞	0	−2	13.88
Abbey Nat. 11⅝ 93 £	100	†92⅞	93⅛	−0⅛	−0⅛	14.73
Aegon 7⅛ 92 Fl	100	97⅞	98	0	−0⅛	8.10
Alg. Bk. Ned. 5⅞ 93 FL	200	91¼	91⅝	0	+0⅛	9.23
Austria 7½ 94 ECU	100	89⅞	89⅞	0	−0⅛	10.86
Barclays Aus. 13½ 91 A$	100	97¼	98⅛	−0⅛	+0⅛	14.89
Bell Canada 10⅞ 04 C$	200	87⅛	88⅛	−0⅛	−2⅛	12.78
BP Capital 9⅛ 93 £	100	88⅝	89⅛	−0⅛	−0⅛	14.58
British Airways 10 98 £	100	82⅛	82⅝	−0⅛	+0⅛	13.76
Brit. Telecom 9½ 93 £	150	88⅛	89	–	–	14.53
Comm.Bk.Aust. 12⅝ 93A$	100	†94⅝	95⅛	0	+0⅛	14.75
Comm.Bk.Aus. 13⅛ 94 NZ$	60	101⅛	102⅛	0	0	13.06
Credit Foncier 9 96 Ecu	100	92	92½	0	−0⅛	10.75

CME sends traders to two-hour ethics class

By Barbara Durr in Chicago

MEMBERS OF the Chicago Mercantile Exchange are being ordered off the floor and into the classroom – to take lessons in ethics.

The philosophy behind this has a strong utilitarian bias, that of helping to put some shine on the exchange's tarnished image following an investigation of floor trading practices and the indictment of some traders.

All members of the CME will be obliged to attend the ethics classes, and there will be no skipping lessons. If members do not turn up they will be punished.

They will face formal charges from the exchange which will be dealt with just like trading offences, for which the penalties include fines and suspension of trading rights.

The classes – offered twice a week between April and June with another series scheduled later in the year – will use hypothetical trading situations in which questionable practices crop up.

One trader, annoyed by the new tap on his time, said: "It's an insult to make you do this, especially for someone who's been around for 10 years like me. But two hours of time is a small price to pay to get a better image for our industry."

Beyond the futures industry image, however, few seemed to believe it would have any deep moralising effect on traders. "I don't know how they're going to instil a sense of ethics in me at 29," quipped one trader.

The programme was one of the recommendations made by a special committee set up by the exchange after a federal investigation of floor trading practices.

The two-year undercover probe by the Federal Bureau of Investigation led to indictments of 45 traders and one clerk last year. The investigation and the indictments that followed it involved both the CME and the Chicago Board of Trade.

Both exchanges have been fighting to shake off the image of their traders as fraud-prone wheeler-dealers. The new CME ethics programme "all goes back to the federal investigation," said Mr Andrew Yemma, exchange spokesman.

A clean-up effort is also being made by the Chicago Board of Trade, which has hired an outside group of specialists to come up with an ethics programme. That group is still at work.

In a letter sent to members last week the CME told traders they will be required to attend two one-hour sessions of ethics classes.

They will be taught by lawyers from the Kent College of Law, part of the Illinois Institute of Technology.

The classes will begin just before the first trial of traders indicted last year. This trial was due to start yesterday but government prosecutors asked for and were granted a one-month delay.

Attorneys for the three Swiss franc futures traders, who are now set to go to trial on May 7, said the Government was still trying to strengthen what they contend is a weak case.

S&P lowers Den Danske debt rating

By Norma Cohen

STANDARD & POOR'S has lowered the ratings on Den Danske Bank's Eurocommercial paper programme, Euro certificate of deposit programme and US commercial paper programmes to A1 from A1+.

The agency had placed the bank's credit ratings, along with those of Copenhagen Handelsbank and Provinsbank, on its creditwatch list for a possible downgrading last autumn after the three banks announced merger plans.

S&P cited rising provisions for loan losses and rising write-offs for two of the banks as contributing to the downgrading.

Along with difficulties in the consumer and small business sectors of the Danish economy, the banks will be strained by the increased costs of handling the merger, S&P said.

Saga Petroleum in ADR launch

SAGA Petroluem, Norway's biggest private oil company, plans to launch an American depositary receipt (ADR) programme to help trading by its US shareholders, Reuter reports. Saga, listed on the Oslo and London stock exchanges, said it was sending information to the SEC.

INTERNATIONAL CAPITAL MARKETS

Pressure grows to resolve BFCE debt provision

By George Graham in Paris

PRESSURE is mounting on the French Government to find a solution to the problems of the Banque Française du Commerce Extérieur (BFCE), the trade finance bank whose ambiguous status, caught between the public and private sectors, has left it heavily under-provisioned for its sovereign debt risks.

The Commission Bancaire, the French banking supervisory authority, is about to repeat its demand, first made a year ago, that the BFCE increase substantially its sovereign debt provisions.

A solution has been sketched out to the problem, which would involve Assurances Générales de France (AGF), the state-owned insurance company, stepping in as BFCE's major shareholder, alongside the Banque de France, France's central bank, and the Caisse des Dépôts, the state financing institution.

AGF refuses, however, to cover the bank's past debt exposure, and wants BFCE's existing shareholders to wipe the slate clean before it buys them out, to end up with a stake of around 40 per cent.

These shareholders, which include the main French commercial banks, both state-owned and privatised, are unenthusiastic about putting up the money.

The Commission Bancaire's renewed demand is expected to increase the pressure on these shareholders to reach an agreement. Mr Jean-Claude Trichet, director of the French Treasury, is leading the negotiations and Paris bankers believe a settlement should be achieved by the end of this month.

BFCE's sovereign debt provisions at the end of 1988 amounted to only FFr1.48bn, some 28 per cent of its exposure to 39 problem countries. Banking analysts are particularly concerned that the bank that year reduced its new provisions slightly to FFr187m.

The Commission Bancaire consistently asks underprovisioned banks to bring their cover up to the average of the profession, which last year stood at 40 per cent. By now BFCE would need an estimated FFr1.2bn of additional provisions to come up to 50 per cent cover.

AGF insists the existing shareholders must fill this hole, and must also come up with FFr1.2bn more of capital needed to bring BFCE into line with the prudential ratios laid down by the Cooke Committee of the Bank for International Settlements.

The insurer also wants to pay BFCE's bank shareholders with its own shares, a point which seems now to have been agreed.

BZW takes on Drexel staff to build US position

By Richard Waters and David Lascelles, Banking Editor

BARCLAYS de Zoete Wedd, the investment banking arm of the Barclays Bank group, has become the second UK-based firm to take the opportunity of the Drexel Burnham Lambert collapse earlier this year to build a position in the US equity market.

BZW announced yesterday it had taken on 40 former staff from Drexel's equity operations in the US, including 25 analysts and sales staff.

A month ago County NatWest, part of the National Westminster banking group, signed up 60 former Drexel staff in the US and 24 in London.

Both firms said a position in the US market was vital to their strategy of achieving a presence in the world's leading equity markets, although County, with a total of 120 staff in the area compared with BZW's 40, has a far larger presence.

BZW's recruits include Mr Richard Hoey, the highly-regarded economist, and Mr Abby Joseph Cohen, investment strategist. A Chicago-based US equity sales team headed by Mr Hugh Feehan is also being taken on.

BZW has applied for securities and banking regulatory approvals to undertake full service brokerage in the US.

Simex may start Euroyen interest rate options

THE Singapore International Monetary Exchange (Simex) is considering launching contracts in Euroyen interest rate options, Euromark interest rate futures and crude oil futures, Reuter reports.

Euroyen interest rate options are expected to complement trading in Euroyen futures which was launched in October 1989, local traders said.

The Euroyen option would bring the total of options traded on Simex to four, with the existing Eurodollar, yen and D-Mark options. "But the only activity right now is in Eurodollar options," one local house trader said.

"Currency options are neglected, and interest in Euroyen options will depend on the liquidity of the underlying Euroyen futures contract," a local house trader said.

Turnover of Euroyen contracts in January this year was 33,332. It then fell to 27,212 in February before recovering to 47,887 in March.

Finnish bank in Euro note issue

KANSALLIS-Osake-Pankki, Finlnd's largest bank, has set up a DM500m Euro medium-term note programme, writes Stephen Fidler.

Deutsche Bank, which arranged the facility, Commerzbank and Morgan Stanley were appointed as dealers. The first issuance is expected for the second half of April.

The notes will be listed on the regulated market of the Frankfurt Stock Exchange. The facility allows for fixed-rate, floating-rate and zero-coupon notes with maturity of between two and 30 years.

Gilts depressed by UK economic worries

By Deborah Hargreaves in London, Janet Bush in New York and George Graham in Paris

IT WAS a listless day for UK gilts yesterday as the pound weakened and the market was spooked by expectations of a large Eurosterling issue.

In addition, investors in the UK bond market continue to be worried about the economy and this has been reflected in a recent slide in gilts prices.

GOVERNMENT BONDS

As the Bank of England's trade-weighted index slipped to 87.2 from a previous close of 87.4, the sluggish gilts market shed about ½ point. The benchmark 11¾ per cent 2003-07 bond closed at 98.12 with a yield just over 12 per cent after a close of 98.18.

Investors in UK gilts are worried about the economic implications of yesterday's decision by Ford of the US to switch investment from south Wales to West Germany. The market was also concerned about the planned launch of a £200m Eurosterling issue yesterday which was later postponed.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-29	-08/32	13.35	13.30	13.48
		10.500	5/99	89-13	-17/32	12.46	12.36	12.48
		9.000	10/08	81-10	-18/32	11.44	11.36	11.41
US TREASURY *		8.500	02/00	99-10	-02/32	8.60	8.62	8.63
		8.500	02/20	99-11	-02/32	8.56	8.62	8.61
JAPAN	No 119	4.800	6/99	86.4549	-0.309	7.28	7.28	7.16
	No 2	5.700	3/07	88.2796	+0.001	7.24	7.30	6.90
GERMANY		7.125	12/99	89.5600	-0.350	8.75	8.42	8.88
FRANCE	BTAN	9.000	02/95	95.1144	-0.035	10.03	10.08	10.62
	OAT	8.500	03/00	92.6900	-0.320	9.67	9.57	10.17
CANADA *		9.250	12/99	86.4500	-0.100	11.62	11.23	10.80
NETHERLANDS		7.750	01/00	91.9500	-0.100	9.01	8.67	9.12
AUSTRALIA		12.000	7/99	92.3186	-0.147	13.46	13.56	13.80

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

■ THE French government yesterday sold 494m Ecus of bonds by Dutch auction, taking advantage of a resurgence in demand for bonds denominated in the European currency unit.

The new 10-year French Ecu bond, OAT 9.5 per cent 2000, was sold at a cut off price of 93.2, giving a weighted average yield of 10.61 per cent.

The issue follows recent large Ecu bond placings by Belgium (300m Ecus), Italy (1bn Ecus) and the European Community (350m Ecus). Spain is expected to follow shortly.

■ US Treasuries drifted higher yesterday morning in advance of the sale of $3.5bn in 40-year Resolution Funding Corp bonds which are being sold as part of the bail-out of the thrift industry.

However, towards midsession, bond prices, particularly at the long end, started to drift back. The long bond was quoted $\frac{1}{16}$ point higher to yield 8.53 per cent. There was some optimism over the Refcorp auction, partly because of the relatively small size of bonds on offer and partly because the yields looked quite attractive, compared with 30-year Treasury bonds.

Primary dealers were expected to take the bulk of the issue and then strip the bonds of their coupons to satisfy expected Japanese demand for long zero-coupon bonds.

The market is also focusing on today's $7.5bn issue of seven-year bonds. The mood on this sale is less sanguine, although the sale may be helped if the Refcorp issue goes well.

The Treasury market does not appear to be reacting much to the growing consensus that the Group of Seven meeting left the Japanese authorities isolated in their efforts to bolster the yen.

■ THE Japanese government bond market was slightly stronger yesterday in spite of the yen weakening against the dollar. Traders were suggesting that the JGB market has become uncoupled from the currency and will now show some independent movement.

Yields on the benchmark 119 bond were lower at 7.20 per cent as bond prices moved higher. The new bonds auctioned last Friday were trading slightly below par in the secondary market after demand for the 6.7 per cent coupon on the bonds – the highest in 7 years – was strong.

The new bonds were yielding 6.72 per cent in the after-market which proves expensive on existing market levels, but nevertheless they were bought aggressively by some houses.

■ MANY traders in the West German bond market are winding down their books ahead of the Easter holiday which has left the bund market thin and miserable.

Investors are concerned about the continuing debate surrounding monetary union.

The benchmark 7¾ per cent 2000 bund was marked down at the fixing yesterday to 93.97 from 94.30.

Expected £350m Gefco issue unsettles markets

By Norma Cohen

THE Eurosterling and gilts markets were buffeted yesterday by speculation that Guaranteed Export Finance Corporation (Gefco) was about to tap the market with up to £350m of 12-year bonds guaranteed by the UK Government.

Prices in the sector fell in response to the rumour, but by the end of the day the deal had failed to materialise.

INTERNATIONAL BONDS

Dealers said the market reaction was probably prompted by the two lead managers – Barclays de Zoete Wedd and SG Warburg – sounding out institutional investors about terms at which they would be willing to purchase the bonds. While a 12-year maturity is relatively unusual, dealers remarked that there is little difference in yields of gilt-edged securities maturing in 2002 and those maturing in 2007. This had prompted some investors to switch out of longer-dated gilts into the 12-year area, they said.

However, market appetite for sterling floaters remains reasonably strong. Salomon Brothers launched a £200m offering of mortgage-backed securities for TMC PIMBS 4th Financing Plc. The borrower is a special purpose vehicle which holds mostly non-standard, low-start mortgages generated by Salomon Brothers' Mortage Corp subsidiary.

The 39-year issue, which has an average life of seven years, pays interest at 27½ basis points over three-month Libor and is priced at 99.76 to yield 33 over Libor to investors. The issue carries pool insurance from Sun Alliance to guarantee the AAA credit rating. Spreads on mortgage-backed notes have been rising over the past year after a low of 18 basis points last spring. However, Salomon said its issue was well received and closed at a premium to issue price at 99.80 bid.

Meanwhile, Council of Europe issued a matador bond carrying the highest coupon of any such issue to date. The Pta10bn five-year deal, lead managed by Banco Bilbao Vizcaya and Bank of Tokyo, carries a coupon of 14 per cent and is priced at 101 to yield 14.18 per cent if sold at a discount equal to full fees. Proceeds were said to have been swapped into floating-rate dollars. Dealers said the deal was trading around its 1¾ per cent fees.

Separately, UBS Phillips & Drew said it had ceased trading Australian dollar Eurobonds, citing diminishing liquidity in the secondary market.

In Switzerland, Oesterreichische Kontrollbank launched a SFr100m 12-year bond with debt warrants, the first issue of its type in six months. The issue was well received, enough to trade inside its 2½ per cent fees at less 2¼ to less 2 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
TMC PIMBS 4th Financing(e)‡◆	200	27½bp	99.76	2029	34/29bp	Salomon Brothers Int.
AUSTRALIAN DOLLARS						
IBM Australia Credit(a)◆	75	15⅜	101.85	1992	1¼/⅞	Westpac Banking Corp.
PESETAS						
Council of Europe(a)◆	10bn	14	101	1995	1⅞/1	Banco Bilbao Vizcaya
SWISS FRANCS						
Oest. Kontrollbank◆(b)◆	100	7¼	102½	2002	2½	Wirtschafts-und Privatbk
YEN						
Scand. Airlines System(c)◆	50n	7	101⅞	1998	1⅞/1¼	Mitsui Trust Int.
Council of Europe(d)‡◆	15bn	-40bp	100	2000	25/15bp	Daiwa Europe
FINNISH MARKKA						
Nordic Investment Bank(a)◆	300	13¼	101¼	1993	1⅛/⅞	Postipankki

‡Floating rate notes. ◆With bond warrants. ◆Final terms. a) Non-callable. b) Non-callable. Each SFr5000 has one warrant which can be exercised only on Feb.21 and Nov.21 1991 into bond due 2002 (non-callable), paying 7¼% at 100. c) Non-callable. Unlisted. d) Issue increased from Y10bn. Coupon pays 40bp under Japanese long-term prime rate. Put April 1997 at 100. Call April 1991 at 100.2 and thereafter annually at par. e) Coupon pays 27½bp over 3-month Libor, rising to 50bp after 10 years. Average life 7 years. Fixed re-offer price.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section. Tuesday April 10 1990.

	EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Apr 9 Index No.	Fri Apr 6 Index No.	Thu Apr 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (201)	842.97	-0.5	13.85	5.35	8.79	10.96	847.47	845.45	850.00	918.02
2	Building Materials (27)	1027.81	-1.3	15.50	5.69	8.02	5.50	1041.43	1036.49	1035.49	1171.45
3	Contracting, Construction (37)	1355.78	-1.4	18.16	6.05	7.19	16.02	1375.45	1381.93	1386.45	1662.91
4	Electricals (10)	2398.16	-1.0	12.18	5.58	10.14	39.14	2422.84	2454.43	2464.67	2683.19
5	Electronics (29)	1765.05	-0.4	10.26	4.20	12.64	17.31	1771.65	1766.74	1782.49	2051.50
6	Engineering-Aerospace (8)	439.17	+0.6	15.23	5.26	8.08	7.69	436.40	431.58	434.84	0.00
7	Engineering-General (43)	462.72	-0.4	12.27	5.39	9.82	7.42	464.80	465.01	467.01	0.00
8	Metals and Metal Forming (6)	477.70	-0.3	24.63	6.52	4.58	0.53	478.93	479.14	483.51	521.36
9	Motors (16)	345.08	-0.7	15.34	6.53	7.63	0.43	347.50	348.78	348.43	301.60
10	Other Industrial Materials (25)	1557.27	.....	11.51	5.11	10.12	28.02	1550.00	1546.36	1561.25	1519.10
21	CONSUMER GROUP (176)	1203.09	-0.4	9.89	4.08	12.60	9.21	1208.23	1210.25	1219.00	1154.54
22	Brewers and Distillers (21)	1401.23	.....	10.35	3.93	11.93	12.53	1400.64	1410.91	1418.63	1250.94
25	Food Manufacturing (20)	1048.31	-0.7	10.59	4.48	11.75	14.80	1055.43	1058.46	1059.57	1004.76
26	Food Retailing (16)	2234.80	-0.3	9.30	3.42	13.94	7.94	2241.72	2221.20	2232.91	2000.65
27	Health and Household (12)	2523.78	+0.3	7.16	2.76	16.66	17.07	2516.53	2522.92	2554.42	2230.78
29	Leisure (31)	1352.22	-0.8	10.59	4.55	11.65	9.24	1363.40	1361.84	1374.22	1568.19
31	Packaging & Paper (13)	564.68	-0.2	12.82	5.75	9.69	10.38	565.64	573.65	574.05	563.00
32	Publishing & Printing (16)	3205.44	-1.0	10.55	5.56	12.00	37.24	3238.09	3252.89	3252.85	3561.23
34	Stores (35)	728.04	-1.5	12.04	5.03	10.71	1.89	739.15	730.09	747.47	738.23
35	Textiles (12)	487.07	-0.4	13.72	7.31	9.18	0.59	488.81	489.95	491.75	506.47
40	OTHER GROUPS (185)	1121.07	-0.7	11.13	5.10	10.75	8.58	1128.95	1122.48	1133.58	1044.37
41	Agencies (17)	1598.67	-0.2	5.66	2.42	21.74	12.33	1601.56	1597.22	1622.10	1268.49
42	Chemicals (23)	1191.11	.....	11.93	5.53	9.80	23.59	1191.42	1186.34	1197.94	1188.29
43	Conglomerates (14)	1580.20	-1.0	10.24	6.19	11.57	8.69	1596.46	1594.90	1608.74	1477.56
44	Transport (13)	2155.27	-0.6	11.28	4.62	11.26	25.71	2167.60	2181.49	2206.12	2328.50
46	Telephone Networks (2)	1103.12	-0.7	11.51	4.65	11.30	0.00	1110.44	1093.70	1108.60	1090.75
47	Water (10)	1880.50	-0.3	18.53	7.20	5.98	0.00	1886.02	1887.74	1913.08	0.00
48	Miscellaneous (26)	1797.23	-1.5	10.52	4.79	10.64	18.48	1824.13	1803.66	1806.77	1431.56
49	INDUSTRIAL GROUP (482)	1100.98	-0.5	11.26	4.72	10.85	9.88	1106.93	1105.07	1113.49	1082.69
51	Oil & Gas (18)	2251.62	-0.6	11.03	5.36	11.96	35.53	2264.28	2247.26	2261.49	1933.29
59	500 SHARE INDEX (500)	1196.87	-0.5	11.23	4.81	10.99	11.91	1203.38	1200.35	1209.28	1154.99
61	FINANCIAL GROUP (111)	799.41	-0.3	–	5.67	–	17.48	801.02	803.82	808.63	725.66
62	Banks (9)	867.50	-0.3	19.27	6.16	6.75	24.14	870.30	869.10	879.44	713.06
65	Insurance (Life) (7)	1273.48	-0.8	–	5.77	–	34.46	1283.66	1306.21	1310.32	1051.79
66	Insurance (Composite) (7)	642.50	.....	–	6.44	–	19.43	642.86	656.48	664.98	584.03
67	Insurance (Brokers) (7)	1038.94	+0.4	7.90	6.27	16.83	26.30	1035.17	1031.71	1029.79	930.01
68	Merchant Banks (7)	454.84	-0.5	–	4.20	–	4.85	457.33	457.65	458.87	326.42
69	Property (49)	1157.11	-0.2	7.93	3.80	15.99	5.62	1158.98	1144.54	1135.47	1287.87
70	Other Financial (25)	313.67	-0.6	14.01	7.10	9.44	4.09	315.46	316.54	318.34	360.21
71	Investment Trusts (67)	1131.55	-0.6	–	3.34	–	0.95	1138.33	1133.00	1137.60	1077.55
91	Overseas Traders (5)	1330.35	-0.7	9.94	6.86	12.15	42.87	1340.25	1351.61	1360.01	1361.58
99	ALL-SHARE INDEX (683)	1099.42	-0.5	–	4.91	–	13.04	1105.03	1103.10	1110.93	1050.65

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 9	Apr 6	Apr 5	Apr 4	Apr 3	Year ago
FT-SE 100 SHARE INDEX♦	2217.5	-10.2	2221.0	2207.3	2227.7	2251.1	2239.5	2231.6	2240.7	2031.3

FIXED INTEREST

	PRICE INDICES	Tue Apr 10	Day's change %	Mon Apr 9	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.78	-0.25	113.30	0.24	3.93
2	5-15 years	117.79	-0.71	118.63	–	3.39
3	Over 15 years	120.01	-0.95	121.17	–	4.16
4	Irredeemables	139.82	-0.78	140.92	–	1.51
5	All stocks	117.98	-0.58	118.76	0.09	3.72
	Index-Linked					
6	Up to 5 years	141.21	-0.10	141.34	–	1.49
7	Over 5 years	133.46	-0.25	133.80	–	1.05
8	All stocks	133.93	-0.24	134.26	–	1.09
9	Debentures & Loans	95.88	+0.55	95.35	–	3.12
10	Preference	74.27	-0.29	74.49	–	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 10	Mon Apr 9	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.76	11.68	9.72
2		15 years	11.36	11.21	9.30
3		25 years	11.23	11.10	9.16
4	Medium Coupons	5 years	12.90	12.76	10.79
5		15 years	11.80	11.67	9.75
6		25 years	11.38	11.25	9.33
7	High Coupons	5 years	13.02	12.88	10.91
8		15 years	12.09	11.97	9.97
9		25 years	11.62	11.50	9.50
10	Irredeemables	†	11.19	11.09	9.21
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.49	4.44	3.62
12	Inflation rate 5%	Over 5 yrs.	4.11	4.09	3.60
13	Inflation rate 10%	Up to 5yrs.	3.55	3.50	2.75
14	Inflation rate 10%	Over 5 yrs.	3.94	3.92	3.44
15	Debs & Loans	5 years	16.09	16.15	12.55
16		15 years	14.24	14.40	11.83
17		25 years	13.58	13.67	11.19
18	Preference	†	12.45	12.42	10.12

♦Opening index 2221.0; 9 am 2213.7; 10 am 2212.2; 11 am 2211.0; Noon 2211.9; 1 pm 2210.8; 2 pm 2211.3; 3 pm 2207.8; 4 pm 2217.7; 4.10 pm 2217.6; (a) 8.30am (b) 2.59pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES: AMI Healthcare Group (27) has been deleted and replaced by Argos (34).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	91	7
Corporations, Dominion and Foreign Bonds	3	9	16
Industrials	215	489	807
Financial and Properties	103	249	374
Oils	18	38	35
Plantations	3	0	7
Mines	28	48	81
Others	81	55	117
Totals	451	979	1,524

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§125	F.P.	–	128	116	ABI Leisure 10p	118		R4.7	3.3	5.3	7.7
§14	F.P.	–	17½	15	‡ADG Group 5p	17		R0.5	3.7	3.9	5.7
–	F.P.	–	206	200	Argos 10p	202	-3½	L5.5	3.0	3.6	9.9
–	F.P.	–	266	251	Courtaulds Textiles	254	-1	W11.6	2.4	6.0	8.9
–	F.P.	–	4½	¼	Courtwell Group Wrrnts.	½		–	–	–	–
‡	F.P.	–	148	132	F & C Germany Inv. Tst.	133		–	–	–	–
–	F.P.	–	64	56	Do. Warrants	58	+2	–	–	–	–
§100	F.P.	–	99	88	First Ireland Inv. 10p	90		–	–	–	–
–	F.P.	–	32	26	Do. Warrants	28		–	–	–	–
–	F.P.	–	46	36	First Philpne. Inv. Tst.	38		–	–	–	–
–	F.P.	–	22	12	Do. Warrants	14	+1	–	–	–	–
–	F.P.	–	14	7	Fisher (Albert) Wrrts.	9	-2	–	–	–	–
100	F.P.	–	94	92	Henderson Highland Tst	92		K5.25	–	7.6	–
–	F.P.	–	28	25	Do. Warrants	25		–	–	–	–
$100	F.P.	–	£66	£63	Hungarian Investment Inc.	£64		–	–	–	–
§100	F.P.	–	108	106	QS Hldgs. 10p	106		L3.75	2.1	4.7	11.8
§100	F.P.	–	99	95	Siam Select. Growth Tst.	99		–	–	–	–
–	F.P.	–	33	30	Do. Warrants	33		–	–	–	–
$$10.5	F.P.	–	641	565	South East Asian Wrrts Ic.	565		–	–	–	–
§155	F.P.	–	158	151	Torday & Carlisle 5p	151		L6.25	2.1	5.5	8.2
8½	F.P.	–	9	9	Venturi Inv. Tst. Geared 1p	9		–	–	–	–
34	F.P.	–	34	34	Do. Inc. 10p	34		K3.06	–	12.0	–
225	F.P.	–	130	130	Do. Cap. Indexed 10p	130		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	Nil	–	1pm	½pm	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	⅝pm	
–	F.P.	–	85p	10p	Courtwell Group 10¼pc (Net) Cv.Cm.Pf	11p	+1
§100p	Nil	–	1¼p	¼p	Owners Abroad 9.75p (Net) Cv Pf 10p	¼p	
100p	25p	–	31pm	26pm	Reckitt & Colman 9.5pc Cv Bds 2005	31pm	
150p	Nil	–	12pm	7pm	T & N Non-Int. Brg. Uns. Ln.	8pm	-2
100p	F.P.	–	100p	96p	Wyndham Group 9.375pc Cm.Pf	100p	
–	F.P.	–	55p	40p	York Trust 8.5p (Net) Rd.Cv.Pf 20p	45p	+2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
5	Nil	15/5	6pm	1½pm	Alphameric 5p	1½pm	-1
265	Nil	–	51pm	43pm	Cairn Energy	43pm	-7
400	Nil	10/5	44pm	41pm	‡Castle Communs 5p	44pm	
400	Nil	–	45pm	45pm	‡Cramphorn 50p	45pm	
1	Nil	24/4	4pm	1½pm	‡Craton Lodge & Knight	1½pm	-½
30	Nil	–	1½pm	1pm	Kingsgrange 10p	1¼pm	
80	Nil	10/5	11pm	5pm	Life Sciences Intl 10p	9pm	
40	Nil	–	½pm	¼pm	‡March Group 5p	¼pm	-½
104	Nil	–	13pm	11pm	Nestor-BNA 10p	12pm	
200	Nil	–	29pm	21pm	Pickwick	23pm	
[illegible]	Nil	11/5	77pm	50pm	Simon Engineering	67pm	-6
150	Nil	10/5	16pm	11pm	Staveley Industries	15pm	
633	Nil	27/4	93pm	88pm	Templeton Emrg. Mkts. Uts.	88pm	-5
25½	Nil	10/5	11pm	3pm	Waterford Wedgwood Units	3pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Apr. 2
- Last Dealings Apr. 12
- Last Declarations July 5
- For settlement July 16

For rate indications see end of London Share Service

Calls in: Aberdeen Pet., Coloroll, Next, Ivernia West, Hawthorne Leslie, Parkway, Sketchley, Wood (SW) and S & U Stores. Put in: Osbourne & Little.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*432)	420	17	30	45	5½	17	21
	460	2½	14	27	32	45	45
	500	¼	6	14	71	82	82
ASDA (*101)	100	5	11	13	4	6½	9
	110	1½	6	8½	10½	12	14
	120	¼	3½	5	20	20	22
Brit. Airways (*202)	180	25	24	29	1	5	7
	200	5	10	18	4	14	14
	220	1	5	9	21	27	28
Brit Com (*57)	50	9	12	15	1½	3	7
	60	2	8	9	7	11	13
SmKl Beecham A (*497)	460	40	55	70	2	8	12
	500	8	30	45	13	25	28
	550	1	11	25	55	55	57
Boots (*251)	240	12	22	27	1	7	10
	260	2½	11½	18	10	18	19
	280	1	4	11	30	34	35
B.P. (*317)	300	18	27	34	1½	6	8
	330	1½	12	18	14	20	21
	360	1	4	9	44	44	45
British Steel (*142)	140	–	8	10	–	6½	9
	145	1½	–	–	4½	–	–
Bass (*951)	950	18	55	67	17	34	40
	1000	2½	30	62	57	66	70
C & Wire (*503)	500	14	35	58	12	25	32
	550	2	15	30	52	57	60
Courtaulds (*319)	297	23	31	39	1	8	11
	327	3½	14	22	13	22	25
	357	1	5	–	41	45	–
Com. Union (*462)	420	44	62	69	1½	6	11
	460	10	34	44	10	17	24
	500	1	15	25	40	40	46
GKN (*412)	390	22	47	57	3	10	17
	420	6	28	38	15	23	32
Grand Met. (*579)	550	32	62	77	5	13	19
	600	6	27	48	26	32	38
I.C.I. (*1095)	1050	52	95	115	6	19	30
	1100	18	64	85	22	38	52
	1150	5	37	60	62	67	77
Kingfisher (*283)	260	25	30	36	1	8	10
	280	9	17	24	6	17	20
	300	2½	7½	16	20	29	33
Ladbroke (*289)	280	12	23	34	3½	11	12
	300	3	15	23	15	20	23
Land Secur (*503)	500	12	28	45	8	21	27
	550	1½	9	22	52	60	60
M & S (*200)	200	3½	10	17	4	10	11
	220	1	4	8	21	25	26
STC (*258)	240	22	36	45	3	8	14
	260	8	23	34	11	18	23
Sainsbury (*252)	240	14	21	28	1½	5½	7
	260	2½	9	16	11	14	15
Shell Trans. (*448)	420	30	50	60	2	8	11
	460	5	23	35	15	20	26
Storehouse (*109)	100	11	15	19	1	4½	4½
	110	5	10	12	4½	8	8½
Trafalgar (*320)	300	23	31	42	2	10	13
	330	6	16	26	14	25	30

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*321)	300	24	38	47	2	5½	9
	330	4½	20	29	14	19	21
Unilever (*649)	600	51	77½	99½	2	4½	7½
	650	9½	40	63	10½	18½	23
Ultramar (*360)	360	9	28	40	10	17	20
	390	3	14	25	33	33	35

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*519)	500	35	60	72	10	20	28
	550	12	30	47	40	45	52
BAA (*384)	360	33	42	56	5	10	13
	390	12	24	36	15	21	26
BAT Inds (*740)	700	46	75	102	11	19	21
	750	17	45	67	32	39	42
BTR (*414)	390	34	48	55	3½	6	13
	420	13	28	36	15	20	25
Brit. Telecom (*266)	260	14	22	27	4½	10½	11½
	280	4	10½	17	16	22	23
Cadbury Sch (*319)	300	28	42	32	4	9	12
	330	10	24	33	20	22	25
Guinness (*649)	600	60	85	102	4	8½	13
	650	25	50	70	19	26	30
GEC (*194)	180	17½	24	27	2	4½	6½
	200	5½	10½	15	9	14	16
Hanson (*230)	220	15	20½	29½	2	6	7
	240	4½	10½	18½	12	15½	16½
LASMO (*595)	550	55	82	100	6	13	18
	600	25	50	70	22	28	35
P. & O. (*575)	550	41¼	64½	75½	5½	10½	17
	600	12½	33	44½	29½	34	38½
Pilkington (*208)	200	15	19	25	3½	8½	11
	220	4	8½	14	15	21	23
Polly Peck (*393)	360	42½	56	69	4½	11½	15½
	390	19½	34	50½	15	23½	27½
Prudential (*197)	180	22	27	32	2	5	7
	200	8	16	20	10	11	13
Racal (*190)	180	16	23	30	4½	8½	11
	200	6	13	20	14	19	20
R.T.Z. (*554)	500	60	82	97	2½	7	11
	550	22	45	64	16	17	26
Scot. & New (*297)	280	23	33	40	4	9	13
	300	12	20	28	17	21	23
Tesco (*201)	180	22¼	27¼	32½	1¼	3	4
	200	6½	14½	19½	7	9¼	10½
Thames Water (*137)	130	11	–	–	3	–	–
	140	5	10	13	7	13	14
Water Hldg Pkg (*1433)	1400	80	–	–	25	–	–
	1450	50	90	130	60	110	130

Option		Calls May	Calls Jul		Puts May	Puts Jul	
Ferranti (*45)	40	6½	8½	–	1	2½	–
	45	3½	5¼	–	3½	5	–

Option		Calls Apr	Calls Jun	Calls Aug	Puts Apr	Puts Jun	Puts Aug
Reuters (*1136)	1100	48¼	92¼	118	11¼	30	42
	1150	19¼	63½	90¼	34¼	53½	64¼

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*192)	180	20	25	29	4	7½	8
	200	6	11½	18	12	16	18
Amstrad (*69)	60	12½	15½	18	2	4	5½
	70	6	10½	13	6	9	10½
Barclays (*574)	550	45	60	73	10	17	17
	600	15	29	45	30	38	38
Blue Circle (*215)	200	18	26	32	6	9	11
	220	6½	14	19	17	18	21
British Gas (*209)	200	16	19	26	3½	6½	8
	220	5½	9	15	12	18	19
Dixons (*117)	110	13	17	21	4½	7½	9
	120	7½	11	15	9½	14	16
Glaxo (*785)	775	47	–	–	24	–	–
	800	32	64	80	36	42	50
Hawker Sidd. (*603)	600	38	63	75	28	47	60
	650	15	42	55	63	85	90
Hillsdown (*228)	220	15	23	29	7	10	12
	240	6	13	18	19	21	24
Lonrho (*262)	260	19	24	34	9	14	16
	280	9	15	24	23	25	29
Midland Bk (*337)	330	24	30	45	10	15	21
	360	9	19	28	28	33	35
R. Royce (*191)	180	18	26	31	4	6	8
	200	6½	13½	19	14	15	16
Sears (*92)	90	6½	9	12	5½	6½	7½
	100	2½	6	7	13	14	16
THF (*261)	260	10	23	29	13	17	19
	280	4½	14	18	30	32	33
Thorn EMI (*652)	650	35	47	61	21	38	43
	700	14	24	38	50	70	72
TSB (*135)	130	13	15	19	3	5	7
	140	5	10	14	9	11	12
Vaal Reefs (*$92)	90	10	14	16	6	9	10
	100	6	10	12	12	15	17
Wellcome (*715)	700	55	87	107	30	40	49
	750	30	60	82	59	65	72

EURO FT-SE INDEX (*2218)

		2125	2175	2225	2275	2325	2375	2425	2475
CALLS	Jun	140	108	75	54	37	26	17	11
	Sep	190	–	130	–	82	–	50	–
	Dec	235	–	172	–	120	–	83	–
	Mar	270	–	218	–	165	–	120	–
PUTS	Jun	38	53	70½	96	165	205	247	292
	Sep	55	–	88	–	137	–	199	–
	Dec	65	–	95	–	137	–	192	–
	Mar	80	–	103	–	140	–	187	–

FT-SE INDEX (*2218)

		2150	2200	2250	2300	2350	2400	2450	2500
CALLS	Apr	80	44	20	8	3	1	1	½
	May	107	72	46	29	17	9	5	3
	Jun	123	92	67	46	31	20	13	8
	Jul	145	112	83	63	45	32	23	15
	Dec †	–	190	–	133	–	90	–	57
	†	–	–	–	–	–	–	–	–
PUTS	Apr	15	31	60	101	145	195	245	295
	May	34	53	79	112	150	198	248	298
	Jun	45	63	88	120	155	200	248	297
	Jul	54	74	99	130	165	205	249	298
	Dec †	–	92	–	143	–	220	–	303
	Dec †	–	–	–	–	–	–	–	–

April 10 Total Contracts 35,226
Calls 17,330 Puts 17,896
FT-SE Index Calls 4,415 Puts 10,245
Euro FT-SE Calls 71 Puts 177
*Underlying security price. † Long dated expiry mths

European profits underpin RMC's 20% rise to £248m

By Clare Pearson

STRONG DEMAND in continental Europe and favourable weather conditions helped RMC Group, the world's biggest producer of ready-mixed concrete, lift pre-tax profits by 20 per cent to £248m in 1989.

However, the overall advance, from £205.9m, disguised a fall in UK operating profits during the second half. This reversed the normal seasonal balance of the business and was mainly attributed to the progressive decline in the UK housing sector.

In contrast, the West German construction market last year enjoyed a strong recovery which fuelled a substantial increase in profits derived there.

Mr John Camden, chairman, said that UK volumes in ready-mixed concrete and sand and gravel were 7 per cent down in the first quarter of the current year.

He believed this stemmed from high inflation and interest rates making themselves felt on commercial and industrial construction, in addition to residential.

Overall, he anticipated that demand from mainland Europe would underpin profits in spite of difficulties in the UK. But higher taxation in some continental countries and the involvement of outside shareholders in many of RMC's operations meant this would not be thoroughly reflected in earnings per share.

RMC's shares shed 25p to close at 615p yesterday.

The second half accounted for only £64.8m of yearly UK operating profits of £132m (£127.5m), which were generated from turnover of £1.09bn (£997.7m). Leaving aside the concrete and aggregates side, RMC's DIY stores achieved "satisfactory" profits in the context of pressure on consumer expenditure. Waste disposal operations achieved substantial growth.

In West Germany, operating profits came to £58m (£32.1m). Mr Camden said he expected the need to provide housing for the in-flow of people from eastern Europe to underpin demand in the current year.

Operating profits were lower than last year in North America reflecting competition in some areas, such as the concrete pipe market in Florida. The joint venture with Lone Star in California performed satisfactorily.

Irish and Spanish operations stood out among other regional operations as having strikingly good years. Overall, countries other than the UK and West Germany put in operating profits of £64.5m (£51.3m) on sales of £836m (£597.2m).

Group turnover was £2.57bn (£2.07bn). Net interest payable rose to £11.4m (£8.2m). At the year-end net borrowings at £100.4m represented 16.9 per cent of shareholders' funds. This was after investment of £273m.

Earnings per share advanced to 68.5p (58.4p). The final dividend is lifted to 12.2p, making 18p (14.5p) for the year.

See Lex

Walter Lawrence falls to £15m despite strong US performance

By Katrina Lowe

A STRONG performance in the US was not enough to offset the effects of the depressed domestic housing market on Walter Lawrence in 1989.

Taxable profits of the housebuilder, contractor and builders' merchant fell 22 per cent from £19.21m to £15.02m over the 12 months. This came after a £3.5m provision against the possible consequence of lower house prices on the value of certain residential development sites.

The company pointed to the difficult conditions for housebuilding in southern England, which bore most of the 19 per cent fall in sales to 856 units. The north-west division had fared well. The introduction of sales incentives and discounts resulted in a better second half, but coupled with high interest rates, adversely affected margins.

The contribution from West Venture, the 51 per cent-owned housebuilding venture in southern California, jumped from £2.15m to £6.32m on sales of £47.67m (£15.69m).

West Venture sold some 500 homes, against 282 last time, at an average price of $135,000 (£82,500). Mr Trevor Mawby, group chief executive, said that the Californian company had a "first class" land bank concentrated on homes at the lower end of the price range. This insulated it against less buoyant conditions prevailing in more expensive areas.

Positive results were also achieved in the contracting and merchanting divisions. Mr Mawby said that in the former division, with the exception of Walter Lawrence Project Management, sound results were reported. Walter Lawrence East Anglia and Rock Asphalte both reported record profits.

In merchanting, Tricom Supplies increased turnover and market share and maintained its profits contribution. In January it expanded its national coverage when it opened its seventh depot, in the West Midlands.

Turnover rose 10 per cent to £262.93m and operating profits before the exceptional item came to £27.93m (£22.94m). Earnings per share fell sharply to 15.7p (25.1p), but the final dividend is maintained at 5.5p for an unchanged total of 7.5p.

Mr Mawby said that net assets at the year end had increased to £51.97m, or 96.7p per share. Net borrowings amounted to £45.73m, representing 88 per cent of shareholders' funds.

He warned that with no fall in interest rates likely in the short term, 1990 was likely to be another difficult year in the UK housing market. However, prospects for the contracting operation and the Californian venture were better than for some years.

Property disposals back gain to £117m at Taylor Woodrow

By Charles Leadbeater, Industrial Editor

TAYLOR WOODROW the property and construction group, yesterday reported a 13 per cent increase in pre-tax profits from £103.3m to £116.9m for 1989, mainly from property disposals which offset losses in housebuilding.

Mr Peter Drew, who was appointed executive chairman in January, said the senior management had set a series of management changes in train to broaden the base of the business, improve its competitiveness in contracting and extend its spread internationally, with the aim of limiting exposure to cyclical UK sectors.

Group turnover, which rose by 5 per cent to £1.32bn (£1.26bn), was held back by only 2 per cent growth in the UK, which accounts for three quarters of turnover.

The profits increase came entirely from overseas activities, including a £10.9m jump in profits from Australasia to £15.3m through the sale of a Sydney shopping centre.

Mr Drew said the US housebuilding activities were profitable, but US activities overall recorded a £3.7m loss because of write downs on the value of property in the Atlanta, Georgia area.

Profits in the UK fell by £1.1m to £85.5m, on turnover of £988.2m (£968.6m).

The property division raised its contribution by 42 per cent to £68m (£47.8m). The company doubled the rate at which it culled mature property from its portfolio to yield profits of £47.2m.

The value of the portfolio is estimated to have risen by £119.3m to £801.9m. Mr Drew said proceeds from the disposals had exceeded current valuations.

Rental income was up 28 per cent to £68.7m. These increases were offset by higher interest charges and the loss of investment income from developments.

Housebuilding profits fell by almost £10m to £25.6m, with a loss of £14m in the UK offset by healthier profits in the US and other overseas markets.

The contracting businesses improved profits by £2m to £16m, on turnover of £905.6m (£852.5m).

Peter Drew: management changes set in train

The company's gearing, which has been increasing since 1985, rose sharply from 13.7 per cent to 22.9 per cent and interest charges were £5m higher at £8.3m.

The directors are recommending a final divided of 7.25p, making a total for the year of 9p, up 1.5p on 1988.

● COMMENT

A couple of years ago a little more than a third of Taylor Woodrow's profits came from property. Last year, property contributed 58 per cent of profits and more than offset a disappointing year in housing and a swing into loss in the US. The combination of a new management team and the previous unwelcome attentions of P&O has meant that this blue chip company is now working its property portfolio more actively, and not before time. It should have little difficulty continuing its impressive record of annual earnings growth in the current year, but a repeat of the latest 20 per cent dividend increase is unthinkable. At 241p, the shares are selling at close to 10 times earnings — a premium of 20 per cent to the sector — and the 8 per cent discount to net asset values is minute for a property company. The shares, which have underperformed the market by a third since P&O exited the share register, are no more than a dull hold.

Housing slowdown leaves Erith with £3m

By Jean Marshall

THE SLOWDOWN in new house building and general stagnation in the housing market hit Erith, the Hertfordshire-based distributor of building materials, in 1989.

On turnover just ahead to £86.39m (£85.77m) for the year, pre-tax profits dropped to £3.04m (£5.51m) after an exceptional debit of £91,000. The directors pointed out that the previous year had been one of exceptional buoyancy in the industry.

They said that 1989 had been a year of consolidation, with all items of expenditure, inventories and staffing levels being closely scrutinised.

Prospects for 1990 were difficult to assess, they added. The mild winter had favoured building and construction, but the impact of high property values and mortgage rates continued to have an adverse effect on volumes.

An increase in confidence, arising from a lowering of interest rates, would be needed for the present trend to be reversed, they said.

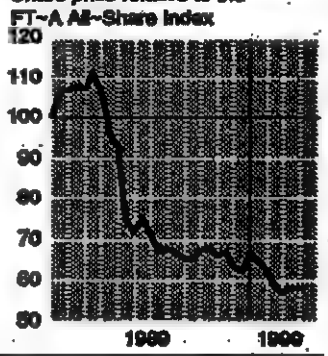
Earnings worked through at 4.77p (9.27p) per share and an unchanged final dividend of 2.6p is proposed for a same again 3.9p total.

Operating profits fell from £5.64m to £3.72m after increased depreciation of £1.1m (£900,000). The pre-tax result was after net interest payable of £590,000 against £123,000.

Tax charged was £1.05m (£1.89m), leaving retained profits of £358,000 (£2m) after the dividend payment.

Erith

Share price relative to the FT-A All-Share Index



TVS changes tack on MTM's future

By John Thornhill

TVS ENTERTAINMENT, the ITV franchise holder for the south of England, has decided to retain 100 per cent of MTM, its troubled US subsidiary, and is no longer seeking an outside partner as it had previously suggested.

TVS, which has changed its year-end from October 31, also announced yesterday that pre-tax profits for the 14 months to end-1989 had fallen to £16.2m. In the previous 12 months pre-tax profits were £26.1m.

The company attributed the fall to exceptional costs and a £8.1m loss incurred by MTM, the US television company which was bought in July 1988 in a deal worth more than £190m.

MTM, which boasts such programmes as Hill Street Blues and St Elsewhere, suffered severely from a softening of the US secondary syndication market, which involves the sale of former network shows to independent stations.

Mr James Gatward, TVS chief executive, said he was determined to restore MTM to profitability. Although MTM was still operating in a difficult market, he said he was cautiously optimistic that MTM's results would be better this year.

TVS claimed it had vigorously addressed MTM's management and financial problems and was encouraged by the positive response to the measures taken.

It added that US television networks were now showing more interest in the company's programmes, that MTM had successfully entered the first-run syndication market, and that library sales were reviving.

The company allayed fears that it would pass its dividend by recommending a final payout of 5p which will take the total for the 14 months to 10p - equivalent to 8.57p (9.25p) on an annual basis.

An exceptional item of £4.6m taken above the line consisted of £3.2m in redundancy costs and £1.4m in payments to senior personnel as part of TVS's "golden handcuff" scheme to retain staff.

Earnings per share after exceptional items slumped to 8.8p (37.6p).

Mr Gatward said the highlight of 1989's results was another "powerful" performance from TVS Television, the UK subsidiary which recorded pre-tax profits of £33.7m in the period, compared with £24.5m in 1988.

TVS's shares closed 4p higher at 118p.

Markheath says Camford overstated asset value

By Andrew Hill

MARKHEATH SECURITIES, which is bidding for Camford Engineering, yesterday claimed that the motor components group had overstated the value of its net assets.

Markheath, the UK investment vehicle for Adelaide Steamship, the Australian industrial and retailing conglomerate, calculates, according to Camford's figures, the net asset value of the group was only 288p per share.

That compared with Markheath's offer price of 305p in cash, which in turn values the whole of Camford at about £63.8m.

Camford said last week it had had its properties valued independently at £43.4m as at September 30, a surplus of £31.5m over their book value.

The Stevenage-based group yesterday responded to Markheath's criticisms by casting doubt on the predator's calculations and claiming its net asset value was at least 319p per share.

Markheath, which already owns nearly 30 per cent of its target, also welcomed the decision by eight of Camford's directors to waive "golden parachute" provisions in their service agreements.

The Camford board last week surrendered its entitlement to contractual payments of at least £3.8m in the event of a bidder acquiring 30 per cent of the group's shares.

SmithKline makes £32m disposal

By Peter Marsh

SmithKline Beecham, the Anglo-American pharmaceuticals and consumer-goods company, has continued its recent disposal programme with an agreed sale for £32m of a group of non-prescription medicines and toiletries products.

The products, sold mainly in the US, last year had total revenues of £18m. They are being sold to a group of investors, including former members of the company's management, led by Warburg Pincus, a financial-services group.

SB, formed last year from the merger of SmithKline Beckman of the US and Britain's Beecham, has since sold several parts of the company which it regards as peripheral. It is still seeking a buyer for its cosmetics side.

DIVIDENDS ANNOUNCED

Alexandra Work	fin	3.1	May 29	2.55	4.7	3.9
Blockleys	fin	2.86	June 13	2.6*	4.81	4.35*
Boosey & Hawkes	fin	9	-	7	12.8	10
Britannia Group	fin	3.8	-	3.1	5.7	4.5
Celestion Inds	fin	1	June 15	0.75♠	1	0.75
Dagenham Motors	fin	3.75	May 31	3.5	5.25	5
Davis (Godfrey)	fin	5.25	June 13	4.67	7.85	7
Dowding & Mills	int	1†	May 21	0.8	-	2.32
Durham (DG) §	fin	1	June 15	1	2	1
Erith	fin	2.6	-	2.6	3.9	3.9
Foseco	fin	8.5	July 2	8	13.5	12.2
Lawrence (Walt)	fin	5.5	July 2	5.5	7.5	7.5
Le Creuset	fin	0.24♥	June	-	0.24	-
Lloyds Chemists	int	0.78	June 12	0.65	-	2.21
Martin (Albert)	fin	2.4	-	3.25	4	4.75
Next	fin	2	July 2	4.7	4.7	7.4
RMC	fin	12.2	June 1	9.9	18	14.5
Savoy Hotel	fin	7	-	6.5‡	7	6.5
Seafield	fin	2	June 29	-	2.4	-
Sherwood Comp §	fin	3.75	-	nil	4.5	nil
Silentnight	fin	2.75	July 2	4.75	5	7
Stylo	fin	9	-	7	9	7
Taylor Woodrow	fin	7.25	July 2	6*	9	7.5*
TVS Entertain	fin	5	-	9.25	10☆	13.25
Waco	fin	6.75	June 4	2.75	7.5†	4
Wardle Storeys	int	4	July 2	4	-	14
WCRS	fin	2.5†☆★	July 4	3.35	2.5★	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option. ★For six months. ☆For 14 months. ♥French francs. ♠For nine months ‡Includes 1p centenary dividend

SeaCon's $70 tender offer for own equity is oversubscribed

By Andrew Hill

Nearly 12m shares were committed to Sea Containers' $70 per share tender offer for about half its own equity.

The offer is the final stage of the group's restructuring following a long takeover bid.

Sea Containers is funding the tender offer for 7m shares with the proceeds of $1.14bn of asset disposals to the one time hostile bidders for the group, Stena, a private Swedish shipping company, and Tiphook, the UK container rental company.

Although Sea Containers has yet to decide on the exact figures, it looks as though the Bermuda-based group will pay for about 58.4 per cent of the shares tendered and the balance will be returned to shareholders.

The company said yesterday that its subsidiaries would retain 4m of the tendered shares for payment and the remaining 3m would be paid for and cancelled.

According to Bermuda law, the retained shares keep their votes, so, as expected, subsidiaries and directors will have a controlling stake in the ongoing business.

Headlam abandons takeover plans

By Jane Fuller

Headlam, the footwear and fabrics group which has just fought off an attempted management coup, has abandoned plans to acquire Cadogan Oakley, maker of men's accessories and upholstered furniture.

The deal, which would have given Cadogan control, was being negotiated when dissident Headlam shareholders called an extraordinary general meeting to consider the removal of Mr John Chaplin as chairman and Mr David Haggett as deputy chairman. The move was rejected by a vote of 4.43m shares to 4.1m.

Mr Chaplin said yesterday that institutional shareholders had been unhappy with the terms. They included issuing an initial 16m Headlam shares to the vendors. Mr Peter Grant, managing director of Cadogan Oakley, would have become chief executive of Headlam.

Mr Chaplin, 64, said he would be writing to shareholders about Headlam's plans and his own intentions.

Mr Grant said he was disappointed that institutional shareholders had made up their minds without much knowledge of Cadogan Oakley.

Trade resumed in Headlam's shares yesterday and the price fell 10p to 66p.

UK COMPANY NEWS

First round lost – but the fight continues

Nikki Tait looks at the Hoylake bid for BAT in the wake of the Californian ruling

MADAME BEAUX, the French banker and long-time business associate of Sir James Goldsmith, had no doubts about her reaction to the first, and decidedly adverse, US regulatory ruling in the long Hoylake-BAT Industries battle. "We are not giving up."

Moreover, speaking as a director of Hoylake – and preparing to take the witness stand in Texas on behalf of the Goldsmith consortium in the sixth of nine states hearings – she seemed to reflect the equally pugnacious mood in Hoylake's ally, Axa Midi Assurances.

The French insurance company is lined up to buy BAT's US insurance subsidiary, Farmers Group, from Hoylake if the latter makes a successful bid for BAT. However, Hoylake cannot rebid until these arrangements have won approval from nine separate state insurance departments. California, Farmers home state and the source of 40 per cent of its business, is arguably the most crucial.

Sir James Goldsmith and Roxanni Gillespie

"It seems to be 'Forward the French'," remarked one, rather more cautious, Hoylake representative, still digesting the regulators' ruling in London.

Given the fine print of the Californian decision, the French reaction might seem more like march towards hefty legal fees, renewed management effort, with little prospect of joy at the end of the road.

The inevitable question, then, is whether the brave words are a play for time while the Texas hearing continues – and, perhaps, a few other state decisions become known. Or do they reflect a real conviction that the deal can be reshaped to California's satisfaction?

Ms Roxanni Gillespie, the Californian insurance commissioner, certainly did not pull her punches in the ruling. Her decision splits into two parts. The first considers the application by Hoylake to acquire BAT and, by implication, its Los Angeles-based insurance subsidiary. The second deals with Axa's proposed ownership of Farmers.

On the first score, as the Californian commissioner explained on Monday, the department felt there were three basic problems.

For a start, it lacked firm information about how a renewed Hoylake offer for BAT might be structured or even where it might eventually be pitched. Next, in Ms Gillespie's words, "There was a big gap on information about Hoylake."

And, finally, the regulators decided that Hoylake could acquire BAT but still not be able to sell Farmers to Axa – either immediately, or, possibly, at all. This "gap" problem, which concerns the legal ability to enforce the Axa-Farmers sale agreement, has occupied hours of debate during the various hearings.

On the way, the Californian ruling contains the odd jibe. It notes, for example, that the Anglo holding company – the quoted UK group which plays a key part in the Hoylake bid structure – has four employees, one of them a security guard. And it makes reference to the Keating connection. Mr Charles Keating is the former head of the Lincoln Savings & Loan Association, whose subsidiary, Amcor, is bankrupt. Amcor owns 20 per cent of the shares in General Oriental Investments, the main vehicle through which Goldsmith is investing in Hoylake.

More seriously, on the Axa application, the Department's basic problem was the funding for Axa's proposed \$4.5bn purchase. At present, the plan is for a \$2.25bn 10-year loan, repayable by dividends from Farmers, and \$2.25bn of two to three-year loan notes, to be paid off by the sale of the Axa group's non-insurance assets. "The acquisition of Farmers by Axa through Hoylake," said the Gillespie ruling bluntly, "will be a leveraged buy-out."

Continuing on this theme, the regulators stated that "a reasonable debt to equity ratio is of utmost importance in the insurance industry". Doing their own sums, Californian officials found the debt to equity ratio at the Axa level to be 5.6:1 and in the main acquisition vehicle, infinite (ie no tangible net worth). Their own Californian acquisition guidelines require a maximum of 1:1 where five-year loans are involved, or 1.5:1 on 10-year funding.

That is only the bare bones of the problem. The ruling, for example, also takes on board all Farmers worries about the potential loss of its section 835 tax election – a more favourable treatment than that implicit in the Axa scheme – and the higher dividend drain on Farmers.

So what can Axa and Hoylake do? Yesterday, the French group was pointing out that California cast no aspertions on its management capabilities; rather, it described Axa's European record as "outstanding". "The problem," said one Axa representative cheerfully, "is to put down cash".

Not surprisingly, no-one was too precise about how that might be achieved at this stage. Options mooted included accelerated non-insurance asset sales and a relocation of loans so the tax implications of the deal were different. By contrast, suggestions that another partner might be brought in or that Axa's \$1bn investment in Hoylake might be abandoned tended to be played down.

That said, on Monday night Ms Gillespie herself did not appear to be offering a lot of room for manoeuvre. It would, she said, take a very substantial restructuring before the department could reconsider its decision on Axa.

With that in mind, does the California ruling spell the end of the Goldsmith-BAT saga? Given the Axa/Hoylake reaction and Goldsmith's reputation for staying power, London analysts were hedging their bets yesterday.

"It's a fading situation," said one, "but there have been so many twists and turns in this already, that you just never know."

Settled Savoy uncorks £13m

Trevor Humphries

MR GILES SHEPARD, managing director of the Savoy Hotel group, yesterday presented the company's annual results and described 1989 as "an important year" which included the centenary of the flagship hotel and also "the end of hostilities with Trusthouse Forte, and what I hope will be a lasting accord."

The luxury hotel group increased taxable profits 4 per cent from £12.53m to £13.08m. Turnover was up 18 per cent at £89.04m, against £75.15m last time.

Capital investment during 1989 consisted of £13m spent on improvements to hotels and equipment, with another £7.9m on repairs, maintenance and renewals. Improvements included the complete rebuilding and re-equipping of the kitchens and the refurbishment of 44 bedrooms at Claridge's.

Tax took £4.73m (£4.33m), but an extraordinary item put in £5.01m (£590,000 charge), leaving net profit of £13.35m (£7.61m). The directors recommend a dividend of 7p per ordinary and 3.5p per B share.

The group has also added the facilities of the Wentworth golf club to those available to guests through taking a 3 per cent stake in the Surrey club which boasts two championship courses.

Mr Shepard said that 1990 would be a difficult year because of growing competition from France, Italy and eastern Europe. But he was sure the group would maintain market share so long as it maintained its consistency of standards.

ADT denies plan to bid for Christies

By Clare Pearson

ADT, the vehicle auction and security group headed by Mr Michael Ashcroft, yesterday said that it had no plans to make an offer for Christies International, unless a competitive situation arose.

This was ADT's first formal statement of intent concerning the fine art auctioneer in which it has been amassing shares for at least a year.

It was also announced that through the vehicle ADT Retirement Fund, the company has 13.8 per cent of Christies' ordinary shares, or 12.2 per cent of the total when the special 'A' ordinary shares are taken into account. This is up from 8.5 per cent of the total announced in February.

The statement almost certainly precludes ADT from being allowed by the Takeover Panel to make an offer for Christies within the next few months, except in the case of another bidder emerging. Christies' share price closed unchanged yesterday at 332p, giving a market capitalisation of £508.3m.

Another big Christies stakeholder is Aska International, the unquoted Japanese finance and insurance company, which said it had acquired 6.5 per cent last September. The Wallenburg group, quoted vehicle of the Swedish Cayzer family, now accounts for about 6.9 per cent. The stake is thought to be supportive of the management.

Mr Christopher Davidge, Christies' managing director, on Monday sold 30,000 shares in the company, reducing his holding to 168,400 or 0.01 per cent of the ordinary.

UK COMPANY NEWS

Uncertain outlook in Brazil main reason for caution about 1990

Foseco edges ahead to £46.2m

By Jane Fuller

FOSECO, which produces speciality chemicals and abrasives for a range of industries, increased pre-tax profit by 7 per cent to £46.2m in 1989.

On turnover of £573.1m (£526.6m) made in 40 countries, operating profit advanced by 13 per cent to £50.4m. Interest payments sliced £4.2m (£1.7m) off this.

Market disappointment was registered yesterday in a 14p fall in the share price to 228p.

Mr Tony Chubb, chairman, said the second half had suffered from falling car sales in the US, economic problems in the UK and runaway inflation in Brazil.

"The biggest single reason for our caution about 1990 is Brazil," said Mr Chubb. Between 5 and 10 per cent of the group's business was in that country and the outlook depended on the impact of President Fernando Collor's fierce monetary squeeze.

In North and South America, operating profit was slightly down at £6.9m, while sales advanced to £152.5m (£127.6m).

In the UK, turnover fell slightly after disposals to £151.9m, while operating profit grew to £13.9m (£11.3m).

While some products had been affected by the downturn in house building and DIY activity, civil construction was holding up well.

Mr Chubb said 1990 was set to be a more difficult year. The demand from the steel and coal industries, for example, was not as buoyant.

Geographically, continental Europe made the biggest contribution to both sales and operating profit: £168.9m and £17.1m respectively.

In Asia, including a long-standing operation in Japan, sales grew to £74.2m (£64.7m) and profits to £10.1m.

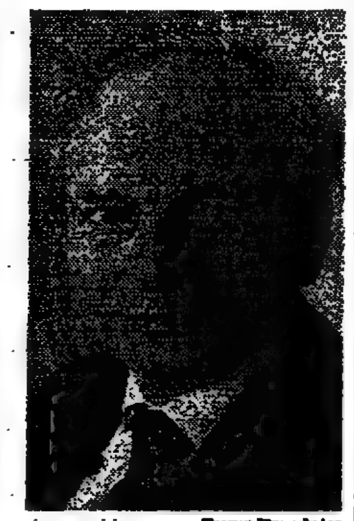
Looked at by division, metallurgical chemicals produced about 55 per cent of both turnover and operating profit. Mr Bob Jordan, managing director, said the group had continued to reduce its dependency on steel and to build up the foundry and light alloy/aluminium activities.

Profits from construction and mining chemicals rose by 50 per cent to £9.2m after a dip last year. Abrasives and diamond products added nearly £1m profit to reach £13.2m.

Earnings per share reached 30.3p (28.3p). The proposed final dividend of 8.5p makes a total of 13.5p (12.2p).

● **COMMENT**

Foseco's pre-tax profit fell from £24.5m to less than £22m between the first and second halves. And that was before the crisis in Brazil, which could more than wipe out an estimated £3m or £4m profit from that country. With UK sales looking flat and only slow growth expected in the US, this leaves a lot to be made up in the happier territories. The management has also undermined expectations by a somewhat lugubrious statement. A forecast pre-tax profit for 1990 of about £42m gives a prospective p/e of 8.6. The share price is supported by a prospective yield of about 8 per cent. But it seems that only bid speculation will drive up the price, as it did last June after it was revealed that the Scharf brothers had acquired a 4.4 per cent stake.



Trevor Humphries

Tony Chubb: less demand from steel and coal industries

Silentnight loses sleep over Lowndes tie-up

By Andrew Bolger

SILENTNIGHT Holdings, the bed and furniture manufacturer, has blamed a 33 per cent drop in pre-tax profits on its disastrous tie-up with Lowndes Queensway, the loss-making furniture and carpet retailer.

In the year ended February 3 1990 the group made profits of £7.4m (£11.1m), in line with the warning it gave last December. Turnover, however, rose by 25 per cent to £159.2m (£126.99m).

The shares stayed at 76p.

The final dividend is cut by 2p to 2.75p, making the total 5p (7p). Earnings per share fell 30 per cent to 10.79p (15.37p).

Mr Christopher Burnett, chief executive, said the company had lost "several millions" overall in trying to establish a direct delivery operation with Lowndes, which saw its shares suspended in August while a refinancing package was worked out.

Silentnight undertook to deliver beds direct to consumers' homes in exchange for Lowndes purchasing 80 per cent of its bed range from the group. It postponed investment in the system when Lowndes made its problems public in August, two months after the service began, but carried on trading with Lowndes and providing the service until February of this year.

Mr Burnett said: "This had two effects. First, it meant that the distribution was done very inefficiently and, due to the strain put on warehousing and transport resources, it also affected the service levels to other customers. Second, because the vast majority of Lowndes orders turned out to be at the bottom of the range in terms of price, the margin in no way covered costs when operating in this inefficient manner."

Mr Burnett added: "We still believe in the direct delivery concept, but we picked the wrong retailer with which to build the service, though, in our defence, their financial problems were unknown to us at the time."

Silentnight said its second main problem was with upholstery. A new three-piece suite turned out to be a best-seller, but the fabric came from the US and was on 12 weeks delivery. The sudden demand for the suite meant the factory operated well below capacity until the fabric supply caught up with demand.

● **COMMENT**

Last year turned out to be a nightmare for Britain's biggest manufacturer of beds. Direct delivery was always going to pose severe management challenges, but the untimely link with debt-laden Lowndes turned a high-risk strategy into fiasco. Claiming these problems are behind him, Mr Burnett sees little sign of a consumer spending downturn. That may well be true so far, but the combination of higher mortgage rates and poll tax payments seems likely to hit high-ticket items such as beds and furniture sooner than later. Analysts predict profits next year of £8.5m and earnings of 12.1p, which puts the shares on a modest multiple of just over 6. That is underpinned by a prospective yield of 9.8 per cent, but investors who wish to sleep easy are likely to give Silentnight a wide berth for the immediate future.

Refocused WCRS hits £16m and seeks Paris listing

By Alice Rawsthorn

WCRS, the marketing group which intends to change its name to Aegis to reflect its move away from advertising to media buying, yesterday announced profits before tax and extraordinary items of £16m on turnover of £345.21m in the six months to December 31.

The group did not issue comparable figures for the same period in the previous year. Mr Peter Scott, chairman, said it would have been "ridiculous" to do so given that WCRS had changed "so dramatically".

Last autumn WCRS announced its intention to take full control of Carat, the Paris-based media buying group, for £202m. It already owned half of Carat.

At the same time it sold control of its original advertising interests to Eurocom, the French marketing group, for £47.5m. WCRS now owns 40 per cent of EWDB, the advertising network formed by the deal, and in future will account for it as an associate.

Fully diluted earnings per share amounted to 9.7p. The board declared an interim dividend of 2.5p and intends to increase the dividend above the rate of earnings per share growth in future years so that the yield is brought closer to the stock market average.

WCRS will seek a listing on the Paris stock market by the end of the year and will then change its name to Aegis.

Carat has been expanding outside France to establish a European media buying operation. Mr Scott said that of its $3.4bn (£2bn) billings, $1.3bn come from France and $900,000 from West Germany. It also has significant interests in Spain, Italy, Belgium and the UK.

Last month it approached the French government for permission for Carat to handle EWDB's media buying in France. A decision is expected next month. The French government has also begun an inquiry into the French media buying scene, which should be completed in 18 months.

WCRS's shares were unchanged at 259p yesterday. Ms Lorna Tilbian, advertising analyst at Warburgs, said the City would be uncertain as to how to judge WCRS's performance until comparable figures were available. She forecast pre-tax profits of £71m and earnings per share of 36.3p for the full financial year.

DG Durham in the black

ALL DIVISIONS contributed to the pre-tax profit of £1.1m achieved by DG Durham Group, USM-quoted insurance and reinsurance broker, for the year to December 31. There was a £202,000 loss previously.

Mr Richard Read, chairman, said the result justified the board's policy of consolidating the businesses after the 1988 reorganisation. Difficulties were still being experienced, he said, in disposing of interests in property occupied by former subsidiaries.

Turnover advanced by 27 per cent to £9.1m "despite difficult market conditions". The directors are recommending a final dividend of 1p for a 2p (1p) total. Earnings were 5.2p (2.4p loss) before goodwill amortisation and 3.9p (3.7p loss) after.

Wace shrugs off uncertainties with £22m

By John Thornhill

WACE GROUP, the acquisitive pre-press services and specialist printing company, shrugged off the uncertainties surrounding its sector and reported more than doubled pre-tax profits of £21.8m in 1989, up from £10m in the previous year.

Mr John Clegg, managing director, said that 1989 had marked the group's transition from a smaller UK company into a medium-sized international public group. Wace claims to be the largest company in the world in the highly-fragmented pre-press industry with a market share of over 2 per cent.

Turnover was strongly ahead at £159.15m (£70.42m). Almost 60 per cent of sales were from the UK and the rest derived from the US.

Mr Clegg was particularly pleased that earnings per share had advanced by 58 per cent to 26.5p (16.8p restated). About half of the earnings growth came from 10 acquisitions.

The final dividend is lifted to 5.75p increasing the yearly pay-out by 88 per cent to 7.5p (4p).

During the year, Wace spent £27.3m on capital expenditure and has now completed its new headquarters and pre-press facility at Shepherdess Walk in London. This will enable it to sell several freehold properties which might raise upwards of £15m.

Last September, Wace raised £44.6m through a two-for-seven rights issue. However, less than 20 per cent of the shares were taken up as the stock market slumped. Although Mr Clegg said he was disappointed that the rights had not met a more encouraging response, he added that it had left the group in a very strong strategic position. At the year end, Wace had net cash of £7.5m and net assets of £108m, amounting to 164p per share.

● **COMMENT**

Investors who were badly singed by backing the entrepreneurial glamour groups of the 1980s might dismiss Wace as an accident waiting to happen: It has all the classic ingredients: a flamboyant entrepreneurial managing director; an explosive growth pattern; a hectic series of acquisitions; and heady talk of further expansion. But it might well pay investors to take a second look for Wace's differences to such companies are arguably more significant than the similarities. This year, for example, Wace has looked to the longer term. It has devoted much effort to strengthening its senior management and has also invested heavily in capital expenditure giving it a technological edge. The group's failed rights issue might have deflated its share price but it has significantly bolstered the balance sheet and will enable it to make the most of the difficulties that currently beset its competitors and allow further acquisitive expansion, probably on the Continent. Pre-tax profits might rise to £32m this year giving a prospective rating of 10. For those able to suppress their natural suspicions, Wace looks an attractive long term proposition.

UK COMPANY NEWS

Three operational directors take daily control

Mrs Fields recovers to $1.5m

By Andrew Hill

MRS DEBBI FIELDS and her husband Randall, founders of the Mrs Fields cookie and bakery empire, have decided to delegate day-to-day management of the group to three operational directors.

The group yesterday announced a recovery from the disastrous 1988 performance, when it lost nearly $19m after an ill-judged expansion of the US cookie chain. In 1989, Mrs Fields, which is quoted on London's USM although most of its operations are in the US, made $1.53m (£940,000) before tax, on turnover of $130m ($120m).

Key management responsibility is now in the hands of Mr Larry Holman, who joined as senior vice president last October, Mr Paul Baird, director of operations since March 1989, and Mr Tim Pierce, vice president of finance. They sit on a newly-created executive committee with Mr and Mrs Fields, still chairman and president respectively.

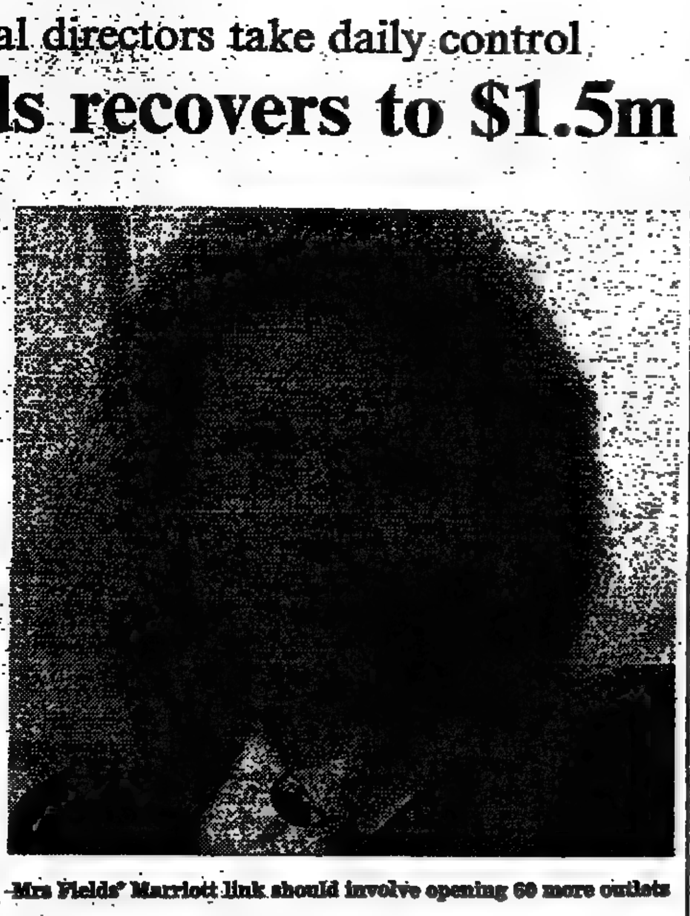
The first indication that the founders were loosening hold on the reins came in January, when a licensing agreement with Marriott Corporation was announced. It allows Marriott to produce and sell Mrs Fields products through its stores.

"It is the first time Debbi has let the name go – it is her baby," said Mr Baird.

The group said it had cut corporate overheads from $19.2m to $16.1m, although interest, depreciation and amortisation charges rose again from $14.6m to $18.8m.

The Marriott agreement, which should involve the opening of at least 60 new Mrs Fields outlets in the next five years, is one example of the group's new strategy of brand-name exploitation.

Mrs Fields reported earnings of 1 cent per share last year, against a loss of 12.7 cents, and has yet to resume paying dividends. The profit included an exceptional gain of $1.21m.



Mrs Fields' Marriott link should involve opening 60 more outlets

Dowding & Mills lifts profit 25%

By Jane Fuller

DOWDING & MILLS, the electrical and mechanical repair company, returned a 25 per cent increase in pre-tax profit to £5.6m for the six months to December 31.

Sales, which are 80 per cent in the UK, advanced 13 per cent to £35.87m, demonstrating that it had so far weathered the tougher economic climate. Mr Jim Cole, chief executive, said the company had continued to improve margins by controlling overheads and improving efficiency, and the results included a good first contribution from an Australian acquisition.

The group was insulated to some extent against trading difficulties in the UK by its spread of customers, from power stations and car plants to bakeries and laundries.

In February, the company acquired Microwave Systems, which was expected to contribute a few hundred thousand pounds to the full-year results. A month earlier it also bought Calibration Systems.

Mr Cole said year-end gearing was expected to remain below 10 per cent.

Earnings gained 20 per cent to 3.65p. The interim dividend is 1p (0.8p) and the company said the final dividend should be not less than 1.67p.

Reshaped Godfrey Davis at £21m

By John Thornhill

GODFREY DAVIS (Holdings), the car dealing and laundry group which pulled out of a takeover bid for Sketchley earlier this year, reported a 26 per cent profit improvement in 1989.

Pre-tax profits grew from £17.06m to £21.52m on turnover 19 per cent ahead at £303.67m (£256.39m) as all the company's divisions reported improved performances.

The results were exactly in line with the forecast made with the bid for Sketchley, and the shares held steady at 142p yesterday.

Godfrey Davis's businesses were substantially reshaped during the year. The plastics division of Falcon Industries was sold in April and three acquisitions were made in the workwear, catering and laundering fields. These did not make any contribution at the pre-tax level.

Mr John Ivey, chief executive, said the Sketchley bid had largely been an opportunistic move which did not alter the group's overall strategy of disposing of its motor-related businesses. "We think the right way ahead is to dispose of those areas of the business which we signposted during the Sketchley bid and to reinvest the proceeds in the service area concept" he said.

Godfrey Davis's interests in textile maintenance were the strongest contributor to profits, producing £11.13m (£9.23m) at the pre-tax level. Site services advanced strongly to £4.6m (£2.55m) while support services grew to £1.1m (£558,000).

The company's interests in the motors field – comprising of four Ford motor dealerships and a contract hire fleet of 12,000 vehicles – reported pre-tax profits of £10.16m (£7.86m).

Mr Neil Benson, chairman, said the board took a cautious view of the year ahead but was hopeful that the impact of a weakening economy could be contained to a minimum allowing continued progress, albeit at a more modest rate.

An extraordinary gain of £3.31m (£12.8m) resulted from property disposals. Earnings per share grew to 16.69p (15.16p). A final dividend of 5.25p is recommended to bring the total to 7.85p (7p).

Wardle Storeys falls further to £5m

By Clare Pearson

PRE-TAX PROFITS of Wardle Storeys, the plastic sheeting and survival equipment group, were down again in the six months to February 28.

At £5.03m, they were £800,000 lower than in the comparable period, which in itself marked a sharp reversal in the company's earlier strong growth record.

However, Mr Brian Taylor, chief executive, stressed that the results represented a big improvement on the second half of last year, with profit after exceptional items and earnings per share more than trebling from levels seen at that time.

Mr Taylor said corrective action, outlined when the full-year figures were announced last November, was "more than ever applicable and . . . being pursued with vigour." This included the reappraisal of stock and efficiency drives, as well as a management shake-up which gave rise to sweeping board changes.

The interim dividend is unchanged at 4p. Earnings per share were 13.2p (15.3p). Turnover was £40.59m (£39.23m).

The technical products (plastics) division made operating profits of £2.49m (£3.23m).

Industrial action by UK car workers hit sales to the automotive industry, more than offsetting the benefits of volume recovery in the industrial marketing activities. This came after a fall in volume last year as European competition stepped up.

Mr Taylor said activity was still below normal levels and it remained difficult to recover cost increases by way of price rises. The second half would see significant capital expenditure.

Safety and survival equipment put in £736,000 (£1.02m). Mr Taylor said RFD Inflatables had yet to feel the full benefits of corrective action, which included increased spending on product development, taken last year. But GQ Parachutes had an excellent first half and, with a strong order book, the outlook was encouraging.

Sherwood Computer in profit again with £2m

By Alan Cane

RIGOROUS PRUNING of loss-making activities returned Sherwood Computer Services to profit in 1989 following a disastrous 1988.

The company, which develops computer software and systems with a heavy emphasis on the insurance and financial services markets, reported pre-tax profits of £2.02m for the year, compared with a loss of £1.96m in 1988.

Turnover, however, was down to £25.4m from £26.53m, reflecting the disposal of unprofitable parts of the business.

Fully diluted earnings were 25p (loss 36.8p). The final dividend is 3.75p for a total of 4.5p. No dividend was paid previously.

Principal reason for the turnround in the group's fortunes was the disposal of Sherwood Mitronix, a subsidiary specialising in motor insurance systems, that lost £920,000 in 1988 and a further £520,000 in 1989. It was sold to Policymaster for an initial £150,000. The company also disposed of a jointly developed product, Slipstream, to its joint developer; the consideration was about £750,000 more than the revenue the group was expecting from product sales in 1989 of £0.4m.

Sherwood Public Services, which deals with software for local authorities, was returned to profit following a deal with International Computers (ICL). This provided for the replacement of Sherwood products dealing with rent, rates and housing benefits with ICL systems. Sherwood is also marketing ICL's community charge software to its local authority customers as part of the deal.

Mr Richard Guy, chief executive, pointed out that the financial services division, which had suffered a loss in 1989 as a result of general softening in the sector, was now performing well. The group was collaborating with the major Anglo-French computer services company Sema to market personal pensions in Spain in a deal worth about £2m over three years, and with Metamorphosis in Australia in a similar deal worth £1.3m over three years.

The group's commitment to open systems based on the Unix operating system is shown by an investment of £2m in Sceptre, a modular insurance systems developed for Lloyds underwriters.

'Difficult trading' sees Albert Martin fall 42%

ANOTHER EXAMPLE of the downturn in the UK clothing industry was yesterday provided by Albert Martin Holdings, a supplier to Marks and Spencer.

In 1989, the Nottinghamshire-based group sustained a 42 per cent decline in taxable profits, from £2.77m to £1.61m, on turnover ahead 12 per cent to £69.11m (£61.61m).

The company blamed the setback on increasingly difficult trading and the effect of interest rates on consumer confidence.

Net interest charges increased to £1.22m (£649,000) reflecting implementation of the group's investment programme; directors stressed, however, that working capital had been kept under control. Earnings per 20p share dipped to 6.6p (14.2p), and the recommended final dividend is cut to 2.4p for a total 0.75p lower at 4p.

An extraordinary charge of £987,000 represented rationalisation costs.

UK COMPANY NEWS

Murray Gordon to stand down from Era board

By Nikki Tait

MR MURRAY GORDON, the former chairman of Combined English Stores who moved in as chairman of Era Group in late-1987, yesterday announced that he was resigning from the troubled specialist retailer's board.

Only a week ago, after a long and angry shareholders' meeting, Mr Gordon claimed that he had no intention of leaving the group. This was despite the fact that Mr David Roxburgh and Mr Pat Hammond-Turner, two of his former CES colleagues who joined Era at the same time, had announced they would be resigning in May.

Era has been in the spotlight because of the severe downturn at its Lexterten furniture subsidiary – currently making substantial losses – and because of its disposal plans for this business. At the EGM, there were attacks on the board's management, the rise in overheads and increasing central costs.

Mr David Llewellyn, a co-founder of Lexterten who left Era shortly after the former CES team arrived, also claimed to have offered a better price for the furniture company than the management team, whose deal the board had recommended.

This dispute was the subject of an extended argument between Mr Llewellyn and Mr Gordon at the meeting, although the sale to management was eventually voted through.

A number of institutional investors have also privately expressed concern about the group, which is now expected to pursue capital reconstruction plans.

Yesterday, Mr Gordon said that he had made the decision in the wake of the Lexterten sale and that he, together with his two former CES colleagues, had "other business interests" to pursue. Given the appointment of three non-executive directors to the Era board in the wake of the EGM, he said the "company was in wonderful hands", but, shorn of Lexterten, was now too small for his team.

One of the new non-executives, Mr Anthony Fay, said that the news had come at a board meeting late on Monday. That, he maintained, had been a amicable affair and he had been surprised about the timing of Mr Gordon's decision.

Like his two former CES colleagues, Mr Gordon has no contract with Era, so there will be no severance pay. However, he will remain a consultant to the group for 18 months.

Mr Fay, who takes over as chairman, said that the remuneration for this work would be roughly in line with Mr Gordon's current salary. In 1988, he took a fairly modest £33,800; the 1989 accounts have not yet been published.

Mr David Binger, one of the two executive directors left on the board, becomes chief executive.

Alexandra Workwear up 20% overall to £7.5m

By Clare Pearson

ALEXANDRA Workwear, the largest workwear manufacturer in Europe, announced a 20 per cent rise, from £6.3m to £7.5m, in pre-tax profits for the 53 weeks to February 3.

After a tax charge nearly 3 percentage points lower at 31 per cent, earnings per share increased 23 per cent to 15.4p (12.5p). The final dividend is lifted to 3.1p, making 4.7p (3.9p) for the year.

Mr John Prior, chairman, said it had been an "interesting" year. Sales had been slow during the long summer but had picked up strongly in the autumn and this had continued into 1990.

In spite of the gloomy signals coming out of some sectors of the UK economy, Alexandra had seen good demand from a broad spread of customers including those in the retail trade. About 20,000 active accounts were added during the year, excluding sales for cash at the company's shops.

Turnover improved 20 per cent to £59.27m (£49.4m). Within this, the UK put in £56m (£46.8m). The bulk came from specialist sales while retail shops put in £8.55m (£6.46m). Sales to the EC were up at £2.96m (£2.25m), while elsewhere was down at £304,000 (£332,000).

The year saw the company's new Paris office and shop begin operations. The £1m cost of establishing it is being treated as an intangible asset in the balance sheet. Mr Prior said this reflected the long-term benefits associated with setting up a database, the chief part of the cost.

Three new shops were added during the year and since the period-end a further three have been opened, bringing the total to 30. Mr Prior said it was planned to increase this to about 50.

Mr Anthony Harris resigned from the post of commercial director last week. The company said his departure was entirely amicable.

Britannia Group rises to over £3m

Pre-tax profit at Britannia Group rose from £2.44m to £3.04m in 1989. That represented growth of 24 per cent on turnover ahead 26 per cent to £36m, from £28.6m.

The directors said there were signs, particularly on the development front, of a slowing down of commercial and industrial activity, and a less favourable climate for developers.

However, the order book for construction was good and with further major projects due to start later in the year, prospects for construction were promising and should mitigate any shortfall in development profits.

The metal fabrication subsidiary did not perform to expectations and will be sold. The joinery and fencing companies made satisfactory contributions.

A final dividend of 3.8p makes 5.7p (4.5p) for the year, from earnings ahead 3p to 16.9p. Tax took £1.12m (£0.87m).

Alan Harper

Richard Holland: second trombone in the Boosey orchestra

Instrument growth lifts Boosey to record £2.46m

THE IMPROVEMENT in its instrument division continued to be the main factor in profits growth at Boosey & Hawkes in 1989.

Operating profits were now not far behind those of music publishing, said Mr Ronald Asserson, chairman.

Record figures were achieved in the year, with turnover rising from £41.37m to £47.24m and pre-tax profit from £1.77m to £2.46m, thereby continuing the progress of the last four years.

Earnings came to 37.2p (31.5p) and a final dividend of 9p is proposed, which lifts the total from 10p to 12.3p.

Mr Asserson said publishing enjoyed another progressive year with a number of notable performances. Two new companies were formed aimed at developing the interests in popular and gospel music.

The instrument division benefited from the high capital investment of recent years, and in particular there was an outstanding performance from the woodwind factory near Paris. The Edgware factory also made further significant progress.

Further progress was expected in the current year. There had been some major realignments of currencies which, if continued, could have an adverse effect, he warned.

Mr Asserson is retiring at the end of the year. Mr Walter Connor will succeed him and Mr Richard Holland will become deputy chairman.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- New Central Witwatersrand Areas, Petrocon, Smiths Industries.

Finals- AMEC, Amer, Anglo American Investment Trust, Barr & Wallace Arnold Trust, Bestalls, Brixton Estate, Cannon Street Investments, Capara Industries, Connell, Costain, Hewden-Stuart, Higgs & Hill, Kwik Fit, MB Group, Meslerin, Nurdin & Peacock, Parambe, Proudfoot (Alexander), Seafield, Sindall (William), Systems Reliability, Tie Rack, Tudor, Waterford Foods.

FUTURE DATES

Interims-

Europe Dual Inv Trust	Apr. 18
Intl Inv Tst Co of Jersey	Apr. 20
McKechnie	Apr. 17

Finals-

Childrens Medical Charity	Apr. 20
Eurotunnel	Apr. 23
Helical Bar	Apr. 18
Lep	Apr. 19
Scottish Mortgage & Trust	Apr. 26
Triefus	Apr. 17
Ward Group	Apr. 26

NEWS DIGEST

30% gain by Lloyds Chemists

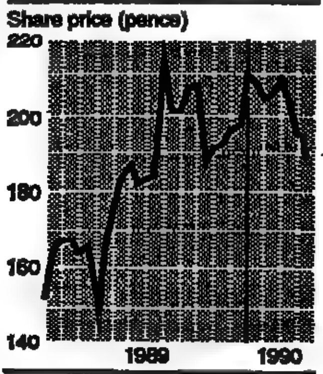
A STRONG interim performance at Lloyds Chemists resulted in a pre-tax profit advance of 30 per cent, from £3.94m to £5.12m.

Mr Allen Lloyd, chairman, said higher gross margins had been the key factor in achieving a 40 per cent advance in operating profit to £6.2m for the six months ended December 31 1989.

Benefits had come from the previous acquisitions and the increase in sales of own label products – now 1,079 lines.

The increase had more than offset higher interest charges caused by rising rates and further borrowings on the acquisitions. Turnover was up from £66.93m to £89.49m.

Lloyds Chemists



Earnings for the period were 6.91p (6.17p). The interim dividend is raised to 0.78p (0.65p).

The Midlands-based group now operates 495 stores, of which 355 are chemists and 140 drugstores. So far in the second half chemists sales were ahead by 12 per cent and drugstores sales by 18 per cent.

Mr Lloyd anticipated that the inherent resilience within the chemist sector would continue during the coming months.

There had been little adverse affect as a result of the fire in mid-February which destroyed the toiletries and paper products warehouse at Atherstone.

High interest cuts Blockleys growth

Blockleys, a maker of bricks and paviors, lifted pre-tax profit from £5.24m to £5.37m in 1989, in spite of the sudden and severe reduction in building industry activity early in the second half.

The year saw an encouraging increase in operating profit from £5.73m to £6.43m on turnover of £17.81m (£17.43m). That was primarily the result of strict control of unit costs and increased production volume. Interest charges, however, took their toll, more than doubling to £1.06m (£493,000).

The directors said until interest rates showed some signs of reducing, they could not expect sales volume to increase significantly.

Earnings worked through at 14.08p (13.89p). The final dividend is 2.86p making the total 4.81p (adjusted 4.35p).

Le Creuset beats retailing downturn

Le Creuset beat the retailing downturn in 1989 with a 38 per cent rise in taxable profits from £1.94m to £2.67m on turnover up 19 per cent from £26.1m to £31.09m.

The results were well ahead of those expected at the time of the company's debut on the USM in July. Le Creuset's range of cast-iron cookware is sold in over 25 countries. It attributed the advance to strong organic growth achieved through aggressive marketing and product innovation.

Operating profit rose to £3.47m (£2.67m) and tax took £370,000 (£6,000). A dividend of FFr0.24 is being paid for the year on earnings per share of 12.6p (10.7p).

Stylo rises 33% to near £4m

Stylo, the multiple footwear retailer and manufacturer, saw pre-tax profits advance by 33 per cent in the year ended February 3 1990 on turnover ahead 11 per cent.

Profit came to £3.99m (£3m) after net interest payable of £1.98m (£1.88m) and taking in other income of £863,000 (£976,000).

Turnover rose to £74.06m (£66.77m). After tax of £1.06m (£0.74m) earnings were up to 14.52p (11.13p). The dividend is raised by 2p to 9p.

The group's properties were professionally revalued on an open market value for existing use basis at £104.4m.

Acquisitions boost Seafield to £3.4m

In a year of major transition Seafield saw an improvement in earnings and believed it had a base to provide further growth in spite of difficult conditions in the property market.

There was a significant contribution from Charterhall Properties, acquired last October. It accounted for £7.77m turnover and £2.11m pre-tax profit out of the 1989 group totals of £13m and £3.4m respectively. Comparisons for 1988 were £7.2m and £882,000.

All trading activity takes place in the UK and results are expressed in sterling. The businesses in Ireland have been discontinued.

Earnings came to 9.8p (5.2p). The final dividend on increased capital is 2p to make 2.4p.

Celestion Industries nearly out of red

Celestion Industries, the clothing and loudspeaker manufacturer, just missed returning to profit in 1989.

The group incurred a loss of £23,000 for the 12 months, against a deficit of £1.96m in the nine months to December 31 1988. Turnover was £36.59m (£30.44m).

Directors propose to raise the dividend from 0.75p to 1p. Losses per 20p share emerged at 0.1p, against 7.4p last time.

They highlighted the performance of the reorganised Celestion Audio division where profits rose from £26,000 to £820,000 on sales of £14.6m (£8.8m).

Interest rates hit Dagenham Motors

High interest rates throughout and a difficult last quarter hit Dagenham Motors Group, the Ford dealer, in 1989. Pre-tax profit fell from £4.4m to £3.54m.

Mr David Philip, chairman, said demand for used cars fell in the last quarter along with an even more dramatic drop in the value of used commercial vehicles. Margins were reduced on cars and most of the commercial stock was eliminated, so depressing profits.

New car sales rose 16 per cent, income from the sale of finance and insurance products increased 24 per cent, and the service and spares side produced 29 per cent more profit; the latter now accounted for over two thirds of total profit.

Turnover came to £128.2m (£105.8m) and trading profit to £4.85m (£4.9m). Interest charges surged to £1.32m (£867,000). Earnings per share were 14.5p (19p) and the final dividend is 3.75p for a total of 5.25p (5p).

Trading in the first quarter of the current year had been satisfactory, Mr Philip said.

FINANCIAL TIMES SURVEY

An attempt is being made to turn South East Wales into a leading financial centre that will strengthen the principality's economy and play a wider role in global business affairs. **Anthony Moreton** investigates the success achieved by the initiative

Foundations for an empire

TWO years ago Mr Peter Walker, Secretary of State for Wales, invited 150 of the great and the good in the City of London to a dinner at the Guildhall in the heart of their patch to tell them of his plans to develop South East Wales as a leading financial centre.

Two years on, Mr Walker will host another dinner, this time in Lancaster House, to report that strong progress had been made, and that the initiative will be extended.

That South East Wales is now a magnet for companies in the financial services sector can be seen from a list of those who have arrived. N.M. Rothschild, the merchant bank, is perhaps the five-star name but National Provident Institution, Banque Nationale de Paris, TSB's general insurance arm, Société Générale, Noble Lowndes, Dun and Bradstreet, Sedgwick James, Willis Wrightson and D.C. Gardner have opened or taken over operations in the region.

This has led to a significant increase in numbers employed in the sector. Over the past two years some 3,500 jobs have been created in the industry. A large proportion of these have come from the 20 companies that have moved into the area, but native players have also played a part.

Mr Walker likes to point out that there are now more than 70,000 employed in financial services throughout Wales but Mr Phil Morgan, head of the financial-services initiative at the Welsh Development Agency, which is orchestrating the campaign to boost the sector, adds "that figure will be over 100,000 before the 1990s are much older".

Cardiff has for the past two decades had a small financial sector, the origins of which can be traced to the Commercial Bank of Wales, set up in 1971 by Sir Julian Hodge. Sir Julian "not only showed it was possible to operate in Cardiff and succeed," says Mr Tim Rees, partner in Coopers & Lybrand Deloitte, "but also that you did not have to go to London to buy the best advice."

Even before Sir Julian Hodge there was the nucleus of a financial empire. The medium-sized Principality Building Society – 29th largest in the building society league – has been in the city since 1860 and there is a small society, the Monmouthshire, in Newport. More recent incomers before the Walker initiative include Chemical Bank, which arrived seven years ago with a back-office operation, Chartered Trust, a wholly-owned subsidiary of Standard Chartered, which employs more than 1,000 in Cardiff and the AA's insurance services.

South East Wales
FINANCIAL AND PROFESSIONAL SERVICES

Recent years have also seen the strengthening of all the other professional activities: only Arthur Andersen is missing from the leading accountants and there are at least four leading law firms that undertake any of the work done in London. "There is no need to go outside for the very best advice," says 3i, formerly Investors in Industry, director, Mr Chris Rowlands.

Last month 3i was involved in two management buy-outs, each around £2m – Oakley Evans, based in Birmingham, and Hilti Contracts, a Manchester concern – in which all the work was done in Cardiff.

The strength of the financial sector is based on easy communications with the rest of Britain, ample labour supply, low staff turnover, much lower costs than in the south-east of England, new buildings andthe fact that Cardiff is a centre of government. "Its role as a home of government is vitally important," says Mr Roger Paine, Cardiff's chief executive: "It gives enormous stability to the city and puts us on a par with Edinburgh."

Low labour turnover is highly important in attracting new companies, he believes.

"The demographic factor is perhaps our most important attribute," says Mr Phil Morgan. "There is a latent pool of labour that is being topped up by incomers. Rates of activity among women are probably 40 per cent below the national average so it will be a long time before we see shortages of labour emerging."

It is economic factors such as these that have led incomers to enthuse about the economy: "The opportunities are greater in Cardiff and Wales than elsewhere," says Mr Glynne Clay, managing director of N.M. Rothschild's Cardiff office. And Mr Stephen Wood, regional director of insurance broker Sedgwick James, believes that conditions in South Wales are ripe for a big expansion.

So far the financial services initiative has brought greatest economic benefit to Cardiff. Newport has not gained nearly as much, to a considerable extent because it has not been flush with modern in-town offices, a situation that is now being rectified.

The town, however, has good, modern out-of-town sites and among its captures have been TSB, which chose Newport for its general insurance arm after looking at 60 other places around the UK, and the Patent Office. The Welsh Development Agency is paying particular attention to Cleppa Park in Newport, as well as sites in Cwmbran and Pontypool just outside.

The WDA's Mr Morgan believes development of edge-of-town sites will help South East Wales avoid the errors of places such as Bristol and Reading which have sucked incomers into their centres, thereby helping to recreate the sort of conditions companies have fled from in the London area.

Cardiff, in particular, is fortunate in having some 2,700 acres of former docklands on the point of being developed. Plans outlined by the development corporation masterminding the transformation of this run-down area postulate between 3m and 4m sq ft of offices being built, providing up to 16,000 jobs.

But if the area is to have financial "bottom", individual industrialists also have a role to play. In particular, their level of financial sophistication has to be improved.

Too many companies and too many industrialists take the easy, short-term view of their operations. Instead of developing their businesses long-term to the point where they can get a stock listing, many sell out at the first substantial offer. The number of listed companies can almost be counted on the fingers of two hands and few seem to want to emulate AB Electronics or steel-products group ASW, which have grown into significant forces within their respective industries. The arrival of Welsh Water and the imminent arrival of South Wales Electricity, as large, locally-based concerns should help the financial infrastructure enormously.

Another weak point is the provision of venture capital where, in spite of the success of 3i, demand is low. The Welsh Venture Capital Fund was set up several years ago but its expansion, long promised, has never materialised.

There are also too few internationally recognisable names like Rothschild. "We need much more representation from overseas if we are to have credibility as a financial centre," says Mr Morgan. "Once one comes, others follow."

He looks, slightly enviously, at Birmingham, where one Japanese bank opened a representative office and now there are half a dozen. He hopes part of the answer may lie in the creation of the European single market in 1992 which should offer "a great incentive for European banks to establish a presence in the region".

The foundations have been laid in South East Wales for the creation of a big financial services industry. More heavyweight names would help give the area "weight". Only then will it become the leading British financial centre that Sir Julian Hodge wanted to see and which Mr Peter Walker is equally keen to see achieved.

In this survey

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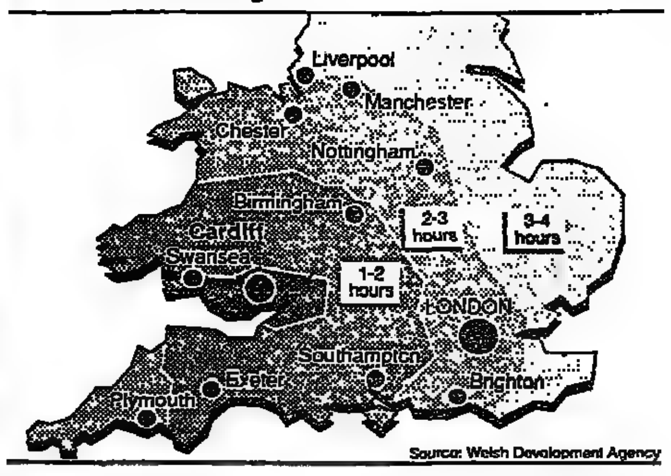
☐ Accountancy; The law; Population trends 3
☐ Profiles: Companies House and ECGD; The newcomers 4

Travel times by car



Source: Welsh Development Agency

Anthony Moreton on the arrival of a new broker

More muscle emerges

AT THE start of this month Robert White opened its doors for business in Cardiff, the first broker to begin operating in the city since Murray & Co, now part of Allied Provincial Securities, started in 1979.

White, the Edinburgh-based broking arm of Hill Samuel, is being widely welcomed in Cardiff. "Its arrival is very good news for Cardiff," says David Jones of Brown Shipley Securities, and Allied's Duncan Cantley adds that "Cardiff is underbroked and the arrival of a newcomer is to be welcomed because it puts muscle back into the city."

"We have chosen Cardiff," says Barry Tyler, managing director of Robert White, "because the government's financial services initiative for the area has highlighted its strength. Investors outside Wales now realise you don't commit suicide when you cross the Severn Bridge and there is a growing confidence in the economy of South Wales."

The welcome for White, which at the end of this month changes its name to Bell Lawrie White, following a merger, also arises because there is a feeling it indicates a halt to the long decline the community has experienced in the Welsh capital.

Mr John Downing, of NIG Lyddon, remembers when he started his broking life in 1956 there were 19 firms in Cardiff, four in nearby Newport and another five in Swansea. Apart from a NIG office in Swansea the four in Cardiff are all that remain. Mr David Jones rattles off their names: firms such as Littlejohn, Colin Mason, Clark Peacock and Robbins.

"This was a very lively area until the 1960s," Mr Duncan Cantley adds nostalgically . "Then rationalisation and amalgamations took the number right down to two – Lyddon and Heseltine and Moss – before we started Murray. My father was, at the time, a director of 14 listed companies. That gives an idea of the activity in South Wales. With one exception, they have all gone."

Lyddon is now part of the National Investment Group and Heseltine and Moss has joined Brown Shipley Securities, like Allied Provincial part of the groupings that have taken place since Big Bang three years ago to protect the role of the regional broker.

Robert White is therefore arriving at a crucial time in the affairs of the South Wales economy. Hill Samuel has been gradually extending its regional broking arm to take account of the changed circumstances following Big Bang which saw London abandon private clients in many instances.

It has opened offices in Aberdeen and the City of London and last year pushed west as far as Cheltenham. "We are bringing a quality operation to South Wales," Mr Tyler says. "Our intention is to target specific areas and seek to develop business within them.

"The traditional path for an investor when he wanted advice was to get on the phone to London. But London has become costly even where it is still offering the business and we intend to offer a quality service at a reasonable price."

Mr Duncan Cantley agrees that broking business will grow. "We have come out of a terrible period of demoralisation as our industries collapsed. Of the 14 boards my father sat on only one, AB Electronics, now exists. But as the economy gathers strength companies are prospering and they will want to do business locally."

Brown Shipley's Mr Jones agrees. "Cardiff is seen now as one of the brighter spots in the country. People are coming in here to invest where once they just took their money and their companies out."

But the region will only grow, NIG's Mr Downing believes, if brokers stick to their last. "There are all sorts of people trying to climb on the stockbroking bandwagon now," he says, "and to the ordinary investor they may even appear to be brokers. But they are little more than receiving houses. Brokers are people who give good advice and the only way to stay in front of the field is to ensure that advice is top quality."

NIG has also joined forces in Cardiff with Société Générale Securities to sell settlement services to third parties. This arose out of the work NIG was doing itself in Cardiff where, at one time, all the group's back-office settlement services were handled in the Welsh city. That back-office work has been hived off to Dorchester and Doncaster and Cardiff is, separately, home for the SGS-NIG firm that has a staff of about 60.

Cardiff, though, still has its problems even if there is a lot of new money about. For all its glister at the moment the area is not particularly sophisticated in terms of investor-involvement. Local entrepreneurs are reluctant to bring their companies to market, many preferring to sell out to national combines rather than emulate the AB Electronics of this world.

Unless they can be persuaded to look for an outlet on the market the scope for further expansion among the broking community in South East Wales is therefore limited. Indeed, most of those actively engaged think there is little chance of regaining the sort of glory days in the 1950s that Mr Downing fondly remembers or even emulating Bristol with its nine firms and its own Exchange.

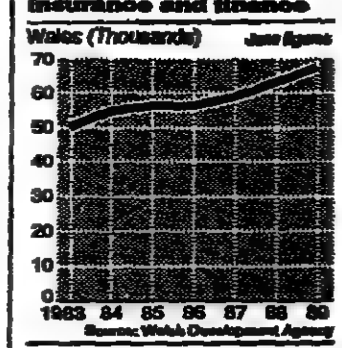
Mr Barrie Tyler agrees that four or five firms is probably the optimum. "With our arrival the market is pretty well full. I would think the area has got just about the number of brokers it needs."

The difference between Cardiff and Bristol, its near neighbour across the Severn, is not just a matter of size. "There are quite a number of large companies in the Bristol area. There is also a lot of old money about," one broker says. "You have only to look at the merchant venturers and see what role they play in the local economy.

"New money is certainly growing in Cardiff but in terms of old money the Welsh capital is a long way behind Bristol. It is no coincidence that Bristol can even sustain one market-maker while we have been hanging on for our existence."

In 20 to 25 years' time Cardiff might be able to challenge Bristol if its economy continues to rise strongly. "If the private investor is looked after then there is hope for the future," Mr Duncan Cantley says. "He has been rather neglected in the past. It was our fault. Before the '87 crash we were all so busy with new issues and privatisation and the like the the private investor had a raw deal. We must now work hard to get this client back and if we do we have a great future here in Cardiff."

Employment in banking, insurance and finance



Source: Welsh Development Agency

BANKING

Signs of increasing maturity

THE Bank of Wales occupies just about the best position in the centre of Cardiff, overlooking the walls of the Norman castle as well as the city's main shopping area. But there is no sign on the door or the forecourt that this is the bank's home.

"That's the way we want to keep it," says Mr Eric Crawford, chief executive. "We don't want cross-pavement customers. We are not seeking to operate in that sort of market. We are a niche bank and our focus is, very sharply, on the business community."

In pursuit of this strategy the bank is even closing existing high-street branches, reopening them off-centre. This has already happened in Cardiff, is in the process of happening in Swansea and will happen before long in Carmarthen. In Wrexham the branch will be closed at the end of this month and re-sited at Queensferry, 11 miles away from the main town in north Wales, on the side of the motorway.

Similarly, the bank is building a branch on the Royal Welsh Agricultural Society's showground in Builth Wells, in the heart of the countryside, to cover across the border into Hereford and Shrewsbury. A recently-opened branch in Bristol was sited just where the M32 motorway ends in the city.

"The aim of the bank is to provide one service for our personal customers and another service for our business customers," says Mr Crawford. "But they must be interlinked because we are not looking for the individual who wants to move to us from one of the clearers.

"We don't mind having the high-income personal account but most of the personal accounts we have arise out of our links with their business."

The Bank of Wales is not, of course, a Bank of Wales in the sense that the Bank of England is the Bank of England. It began life within the Hodge empire, run by Sir Julian Hodge, a prominent local businessman in the financial-services sector, and for many years the Bank of England insisted on its name being the Commercial Bank of Wales.

Although this more accurately described its functions even then Sir Julian, and the local community, chafed at such limitation, as they saw it, inherent in the title. The change came at the end of the 1960s when the Bank of Scotland took a 75 per cent stake in the bank, leaving the younger members of the Hodge family to run the small Julian Hodge Bank and the Carlyle Trust.

"The link with Edinburgh is very important for us," Mr Crawford adds. "We can plug into their services and the connection gives us the sort of link with a major capital investment that a bank of our size could not normally have."

The arrival of another heavyweight City name is probable in the future

The Bank of Wales is not the only prestige name in Cardiff. Two years ago N.M. Rothschild opened an office in the city, only its second outside London, in response to what it saw as the growing economy.

"Banking in south Wales has matured enormously," says Mr Peter Davies, corporate director. Rothschild's arrival is a sign of that maturity.

The claim about increasing maturity is repeated by Mr Keith Hedge, corporate director of Barclays, the leading clearer in South Wales. "In the last four to five years banking in south Wales has become much more professional and the customer can certainly now get as good a service in the area as in any part of Britain. People don't need to look over the Severn Bridge now for their needs."

But if there is maturity in the provision of services south Wales is still quite an unsophisticated area from a personal finance and business point of view. Mr Denis Ellis, corporate director at National Westminster, says that "too many businessmen take a short-term view and sell out to the first bidder rather than develop their concern to the point where it can be taken to the market for a listing.

"Or they react to a suggestion that they might raise equity finance by saying: 'Why should I give away part of my business?' They don't realise how much better it might be for their company to have equity involvement rather than heavy debt."

Barclays' Mr Hodge agrees that "people sell out too easily". And Mr Davies adds: "We have to convince them that the short-term view is not in their best interest."

The business place is also unsophisticated in that too few people are aware of what merchant banking is all about. Mr Davies, at N.M. Rothschild, is the first to feel the effects of this. "We are in the market to finance those companies which have a definite chance of being listed," he says, "but all too often the first question is about what a merchant bank can do for a particular company."

Such a lack of sophistication and the fact that most venture capital needs range between £150,000 and £500,000, a field in which 3i is particularly strong, leads to the question of whether there is room for more heavyweight bankers in the area.

Any number of big names have made the short trip to the Welsh capital to see what is happening on the ground. The arrival of another heavyweight City name is probable in the not-too-distant future. But most bankers in the area believe there is a danger of over-banking emerging.

N.M. Rothschild's Mr Davies does not subscribe to this view. "Another big name does wonders for the area's image. Look at Manchester, where so many of them are sited. It's an understandable argument but on balance I think Cardiff could accommodate some more top-class names."

Anthony Moreton

Nikki Tait discusses the venture capital market's future

Chicken and egg situation

THE venture capital market in South East Wales poses some intriguing questions.

Compared with other regions in Britain, it is relatively small – at least in terms of funds provided locally. Essentially, there are three main Cardiff-based sources of development capital: the Welsh Development Agency (WDA), the Welsh Venture Capital Fund, and 3i.

The WDA's activities range from loan to equity funding, and it claims to be interested in funding both in the "equity gap" – that is, the £50,000-£250,000 commitments that tend to be cold-shouldered by some lenders – and at the expansion capital stage. However, over the past year its role on the equity front has been fairly subdued.

The Welsh Venture Capital Fund was set up in the mid-80s. Its management company is owned jointly by the WDA and Development Capital Group, part of City-based Lazard Brothers. It also handles some WDA funds – in the initial launch, the agency put up £1 for every £4 contributed by the private sector – but operates separately. "We do cross paths, but only at the margin," says WVCF. Two of the initial investments – involved both institutions.

Having started at £5.5m, the fund today has around six investments, having realised about five and seen a similar number go under, plus some £2m of funds for investment. Investments have ranged from insurance broking to biotechnology and can involve anything from £100,000 to £750,000, with an average of £250,000.

Meanwhile, 3i has been represented in the area for around 30 years. It claims its investment into the region amounted to around £18m in the year to March 1990, and that the past three years have seen fairly high inflows. As with the group generally, 3i invests across a broad spectrum.

And there, in terms of locally-based expertise, the list ends. This contrasts sharply with, say, Birmingham, where it is possible to list more than six local players in the venture capital market and local syndication is commonplace.

What is the explanation? On the one hand, some of the existing capital suppliers point to the structure of industry in the area – in particular, the former dominance of coal and steel, and a fairly restrained "private company" market.

On the other, there is the issue of "Welsh character", with some suggestions that the "entrepreneurial" tradition is not particularly strong in the region.

This is controversial ground, but 3i, for example, notes that a high proportion of its inquires actually come from non-Welshmen, attracted to living in the area.

The three main players do not believe the region is starved of venture capital funds – even if the high-risk, small-scale end of the market is, as usual, more tricky. Other lenders can be enticed into the region, but largely via either City or other regional offices making the development of any purely local syndication market difficult.

"They tend to hop on a train from London, rather than seeking situations locally," remarks one lender.

There is a question mark over the future. "Chicken and egg," suggests one player, expressing the thought that more funds would probably create more activity – with the added caveat that if bank lending ebbs, there may indeed be a need for more resources. "There is certainly room for one more significant player here," concludes another.

Rachel Davies on a judge who is exciting the legal profession

Surge in commercial work

JUDGES ARE not often the subject of enthusiasm. On the contrary, they generally make splendid Aunt Sallies for a press-fed public.

Wales, however, has a judge who is generating not only enthusiasm, but excitement — who is described by local solicitors and bar as "an outstanding success", "immensely popular", "just what Wales needs".

Judge Hywel Moseley QC was appointed in February 1989 to sit as a permanent Chancery judge, dividing his time between Cardiff and Bristol. In that one year Chancery Court work has increased by 176 per cent, covering companies, light commercial and all the usual chancery matters other than patents, tax and bankruptcy. Fifty-five writs were issued in Cardiff in the first 10 months of 1988 and 155 in the first 10 months of 1989. The figures are similar for Bristol. Now the lists are so full that a new judge is to be appointed — probably not before January.

So far the work, apart from one County Court case, has been entirely High Court work. At the moment there is enough to justify one-and-a-half High Court judges between Bristol and Cardiff. By the end of the year there will be enough for two sitting all day.

Where do the cases come from? Some of it is ambivalent Queen's Bench/Chancery work, attracted away from the Queen's Bench by the new court's reputation for speed and efficiency. Some of it is work that once went to London. Practitioners are expressing a great deal of confidence in the Cardiff jurisdiction.

It is modern and accessible. Hywel Moseley is in touch. By July last year he had set up a "user's committee" to ascertain the needs of court staff and practitioners and increase the efficiency of the jurisdiction. Also by July, he had started a Chancery Court newsletter for circulation to practitioners, with information on increase in business, listing, time estimates, vacation business, and whatever else might be relevant to court use.

By November he had started up a committee of the Institute of Welsh Affairs, aimed at promoting the growth of the local bar. With the co-operation of the university it is undertaking a research project into the development of the chancery/commercial bar in Cardiff.

Hywel Moseley has become a victim of his own success. Having started his reign sitting for 30 minutes in a week, his lists are now full to beyond the spring of 1991 — well over a year's work. Unless the new judge is forthcoming speed will cease to be a feature.

According to chambers' clerk Mr Charlie Crookes (described as "probably the best clerk in the country"), commercial/chancery work coming into chambers has increased 50 per cent in the last six months. He expects further expansion next year.

This is borne out by solicitors who confirm that they are sending more of this type of work to chambers. Some is still going to London, and will continue to do so until Cardiff chambers can lay claim to specialists who are able to concentrate entirely on the commercial/chancery side.

Roger Thomas, senior partner of Phillips & Buck, big in finance, companies, insurance, and other commercially-related matters, with connections in the Middle East, Japan, and Europe, says that increasing prosperity among local businesses, overseas investment, and relocation within the UK, is responsible for the surge in local commercial work.

Four-fifths of his firm's work is from business clients. It does a lot of its research and pleading internally and is still inclined to go to London for specialist advice. It likes to use the local bar and knows the expertise is there but, says Mr Thomas, the London bar is organised to spend more time in chambers whereas regional bars spend all their time in court. He says "it needs an internal decision on the part of the bar that they will be available".

John Bowen, senior partner of Morgan Bruce, agrees. There has been a 25 per cent increase in his firm's commercial and company work in the past few months — more staff have been taken on but more are needed to cope with the expansion. The firm has had to build larger premises in the city centre — where its new visibility in itself has brought in more work. Their international contacts are spreading and they are in the process of linking up with firms in other population centres — London, Edinburgh, Bristol — to form a network of services and contacts for commercially-orientated and private work in the EC. More will come no doubt from their participation in a "Europartenariat" (a sort of business fair for small companies) to be held in Cardiff on June 14 and 15.

A lot of the new work is advising, drafting, negotiating at this stage and is therefore non-contentious and will not swell the local court lists for many years to come if at all. Nevertheless, says Mr Bowen, Morgan Bruce sends more work to the Cardiff bar than it did a year ago "because of Hywel Moseley's court". Like Roger Thomas, he says the tendency to go to London for specialist advice will continue until the local bar can make experts available in chambers by keeping them out of court.

Gwyn Davies, of Edward Lewis & Co, another commercial firm which has doubled in size in the last two years, also agrees. He says his firm sends little work to the local bar because of the lack of specialist chambers.

Mr Crookes describes it as a chicken-and-egg situation, because he cannot keep barristers out of court until he can be sure of the chambers' work. He has able people who are increasingly specialising, and foresees that in 18 months some of them will be doing just commercial/chancery work. He says the will, incentive and talent is there, and the Cardiff bar is now in a position to offer the expertise solicitors are looking for in the commercial field.

The problem of creating specialist chambers is one of the topics for the IWA's Cardiff bar research project.

Practitioners seem to agree that all the necessary ingredients are there — an influx of commercial work, an able bar and a good court. The task appears to be one of time and synchronisation.

David Waller looks at accountancy

Optimists in the majority

THE latter half of the 1980s was a period of great growth for the UK's accountancy firms. Powered by the dynamism of their clients, the vitality of the economy as a whole, the vigour of the stock market, the bigger firms managed to grow their fees by as a much as 20 to 30 per cent a year for each of the past five years.

The growth did not come from auditing, where fees have been slipping and margins dwindling as wage costs rose: it came from management consultancy, corporate finance and other services tied to levels of corporate activity and the vitality of the economy as a whole. Now, interest rates are high and entrepreneurial activity stifled: the economy is in the doldrums.

This is excellent news for the profession's insolvency practitioners, who now find themselves working harder than in 1974 or 1980-81. But for accountancy firms in general, plump with staff after years of expansion, it spells hard times ahead as demand slumps and competition intensifies.

The question troubling accountants in South Wales is whether they are likely to share in the slowdown experienced in the south-east and the City of London. The region enjoyed a tremendous surge in the latter half of the decade, and demand for professional services increased accordingly. Is that demand now set to falter?

Partners in Cardiff firms seem optimistic: there is as yet no general fall-off in work in the region. Pointing to fee income growth rates of 30 to 35 per cent a year over the past few years — better than the average for the national firms — they say the local economy has been extremely vibrant and as yet shows no signs of being dragged down by problems in the country at large.

The work done by the accountants in Cardiff and South Wales ranges from the audit of leading companies such as AB Electronics, TSB, Allied Steel and Wire, to computer consultancy (in which Ernst & Young has built a niche), to general consultancy (advising on inward investment by the likes of Ford, Bosch and the many Japanese companies which have chosen to locate in the area) and public sector work. Accountants advise on how to secure grants to set up in the area and, of course, they advise the smaller entrepreneurial companies.

A common complaint is that the only constraint to growth is a lack of qualified staff. But there is a faint suggestion of clouds on the horizon.

Tim Rees at Cooper & Lybrand Deloitte observes that his insolvency practice was "bubbling along quite nicely" — not normally a good omen for business conditions as a whole. Touche Ross, a third of whose South Wales practice comes from insolvency, is experiencing buoyant demand for its services as corporate undertaker. And yet Mr Rees says that his instinct is that there are few large corporate collapses on the horizon than in previous recessions.

"One feels a sense of caution this year," acknowledges Steven Blackman at Ernst & Young. "There is no apparent deterioration in the local economy — quite the opposite in fact — but people can't help asking where the UK economy as a whole is going."

One local businessman pointed out that one of the factors behind the region's growth was the dynamism of the small, medium-sized businesses that sprang into being after the demise of the coal and steel industries. "They have grown precisely because they are small and flexible. It is not clear whether they are strong enough to survive a prolonged downturn in the economy: interest rates at 15 per cent are bad enough as it is."

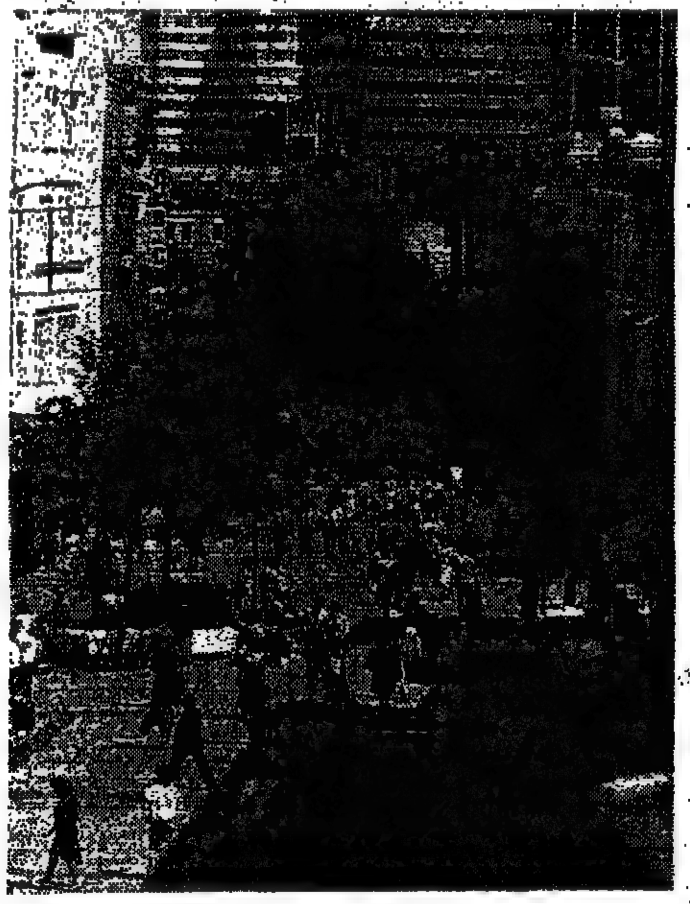
"The current blip in the economy as a whole could not have come at a worse time for South Wales," agrees Mr Rees at Coopers. "But our clients do not appear to be under great pressure at present and I am sure they will get through all right".

The proposed Cardiff Bay Development is often mentioned. One accountant pointed out that a 3,000-acre development would be one of the biggest construction projects in the European Community. This is the sort of infrastructure project which gives a better balance to the region's economy than for the UK as a whole; and is also the sort of project which will attract numerous businesses to the area, and create huge fees for the accountants.

Meanwhile, local accountants are agog with excitement in anticipation of the long-awaited merger between Cooper & Lybrand and Deloitte Haskins & Sells to form Coopers & Lybrand Deloitte. Competitors say this is likely to be a much more disruptive affair than the link-up between Ernst & Whinney and Arthur Young.

Mr Rees says the two firms are wholly compatible: competitors disagree, pointing to Deloitte's century-old pedigree in the region in contrast to Coopers which is something of "an aggressive upstart". The new firm will be twice as big as any of the other firms. This could make it either formidably strong; alternatively, it could lead to trouble in a small business community. The culture of the two firms is said to be very different and competitors are eagerly awaiting the fall-out of clients and staff.

Population trends



Crowds throng Cardiff's busiest thoroughfare

S E Wales: population by county ('000)

	Gwent	Mid Glamorgan	South Glamorgan	South East Wales
1981	441.7	541.1	389.9	1,372.7
1982	440.1	536.9	389.6	1,368.6
1983	439.9	536.4	391.7	1,368.0
1984	439.7	533.9	394.4	1,368.0
1985	440.2	533.9	394.8	1,368.9
1986	441.6	534.5	395.7	1,372.0
1987	443.1	534.8	399.6	1,377.5

Source: OPCS/Welsh Office

S E Wales: Population projections ('000)

	1995		2001	
Age	Low growth	High growth	Low growth	High growth
0-15	292.1	296.7	310.9	320.2
16-24	181.7	184.6	151.2	155.8
25-34	218.3	221.7	190.8	196.5
35-44	186.5	189.4	209.5	215.8
45-59	231.3	234.8	259.9	267.5
60-64	71.1	72.2	67.7	69.7
65+	220.3	223.7	222.4	229.0
Total	1,401.4	1,423.1	1,412.4	[illegible]

Source: OPCS/Welsh Office

S E WALES FINANCIAL SERVICES 4

IT IS perhaps a delicate irony that the courts in Cardiff have been one of the beneficiaries of the growth of financial services in Wales.

When Companies House moved its headquarters to the Welsh capital in 1976 it began to take action against concerns which either did not, or were very late in, filing their reports in Cardiff magistrates' courts. Action is taken against some 1,700 companies every year and the majority of those take place in Cardiff.

Companies House is where all company returns in England and Wales are filed. Every public company has to file its annual return within seven months of the end of its financial year and every private company within 10 months. Most play within the rules, but some fall by the wayside. The most recalcitrant are taken to court by Companies House.

The arrival of Companies House had a spin-off in more conventional directions: company search and company formation agents set up near the headquarters building and the move had a widening effect on the economy.

The most obvious tangible effect of the transfer of Companies House to Cardiff was the recruitment of some 700 staff; fewer than a couple of dozen senior people came with the organisation in 1976 (some 200 remained in London and another 50 are employed in Scotland).

PROFILE: COMPANIES HOUSE

Increased efficiency

But there was also an intangible effect: a body like Companies House brings financial "muscle" with it. It enhances the area in which it is situated. Companies House helped do for Cardiff in the 1970s what, for instance, Ernie did even earlier for Lytham St Anne's and the Charity Commissioners subsequently for Taunton. They focus attention on the area or city in which they are operating.

That focus is the more important if the organisation is expanding and there is ample evidence that the work of Companies House is not only growing in bulk but also changing in format. Last year, for instance, searches among company files in Cardiff were running at 13,750 a week (the number in London is around 50,000). This year they are expected to top 16,500 though in February the figure had gone over 19,000.

And with the change in status of Companies House as an entity even more work will be put through Cardiff. Companies House is part of the Department of Trade and Industry, one of the dozen agencies of government for which a new role has been fashioned.

The government is looking to introduce private-sector disciplines in some areas of the civil service, especially those with a public interface. Lord Young, then Secretary for Trade and Industry, said at the time of the introduction of the new policy that "there are some areas of DTI executive work where privatisation is not appropriate but where an increasingly commercial approach is desirable." Such departments were designated executive agencies.

The first to make the switch was the vehicle inspectorate, part of the Department of Transport, in Bristol. Companies House became the second, in October 1988, and a fortnight ago another 10 were added to the list taking the total to around 20.

As an agency the executive head has power to commit unlimited expenditure within his or her budget and can make *ex gratia* payments and authorise certain write-offs up to specific figures. This is all very different from normal civil service practice.

In return, he or she has to make the agency more efficient, more responsive to the needs of the public. Until the start of April the chief executive in Cardiff was Stephen Curtis, who has now gone off to head the Driver Vehicle Licensing Centre in Swansea. His successor, David Durham, does not arrive for another week.

"There is no doubt," Mr Curtis says, "that Companies House has become both more approachable and more efficient. The clearer lines of accountability we have, leading to a more efficient service being offered to the public, are clearly demonstrable in Cardiff."

In evidence he cites the way in which the agency has boosted its income to around £30m a year (about £25m of that in Cardiff, the rest in London) and new services developed.

The search fee is £2.50, which produces a result within the hour. But a premium search has been introduced – for £20 – which will turn up the necessary information within 20 minutes. A fax service has been added, satellite offices have been opened in Glasgow, Manchester and Birmingham and another is to come in Leeds with still more in the pipeline.

"We hope that by the end of this year we shall be able to sell information on our terminals," Mr Curtis states. "At the moment all our records are stored on fiche and we are putting them on to the computer. We then want to sell directly off the screen." Such a move will do wonders for the staff who have to wander around 30 miles of shelving on which the paper-based records are stored. The demand has been so great, even within the purpose-built building, that an out-station had to be bought 20 miles away in Pontypool to take the earlier, less-demanded records.

The biggest measure of increased efficiency can be seen from the rate at which companies are complying with the law. Six years ago a House of Commons committee discovered only 40 per cent of companies submitted their annual returns within the stipulated time.

On becoming an executive agency Companies House was set efficiency targets. The compliance rate had to reach 83 per cent by 1991. Other productivity improvements were set. Mr Curtis is proud that Mr Durham will inherit an organisation that has taken the compliance rate up to 80 per cent.

Mr Durham's own appointment is another indicator of change. He comes from outside the civil service; since 1986 he has been in the health service in London and for four years previously he was in housing in Rochester. But most of his time – 26 years – he served in the Army, rising to become a lieutenant colonel.

Mr Durham is, literally as well as metaphorically, the new face of executive agency within the civil service. He arrives at a time when the work of Companies House, at least, is on a rising trend.

Anthony Moreton

PROFILE: ECGD

Ready to go private

THE Export Credits Guarantee Department is the unknown player on the Welsh financial scene. ECGD insures against the risk of selling overseas and that part of the government department dealing with short-term credit has been tucked away within the Welsh Office in Cardiff for a decade, even though the department itself is responsible to the Secretary of State for Trade and Industry in London.

Nicholas Ridley, Trade and Industry Secretary (left), with ECGD underwriters Trevor Griffiths and Jill Thomas

All that is about to change. Partly to meet the European directive on insurance which comes into operation in July, and partly to meet changing conditions in the market place, the insurance group is being hived off from government and will next year be set up as a company.

ECGD now operates under statute which restricts its operations to those which benefit British companies. To operate within Europe after the setting up of the single European market in 1992 the rules have to be changed to allow it to compete openly outside the UK. ECGD will, as a consequence, leave the public sector, move out of the Welsh Office and take premises in Cardiff or the surrounding area.

In the next week a report prepared by Samuel Montagu setting out how the transformation to the private sector might be brought about will land on the desk of Mr Nicholas Ridley, Secretary of State at the DTI, and he is expected very soon afterwards to announce the ways in which it will operate in future.

ECGD was set up in 1919 to offer insurance against export risks and is today considered one of the world's most experienced operators in the field. It comprises two main groups: a project group, based in London, which underwrites medium- and long-term export sales and one-off projects. This is an area fraught with difficulties and one in which profitability is low. This side of the business will remain within government in London.

The other main sector, the insurance services group, the one in Cardiff, is to move into the private sector, though until Mr Ridley acts on the Montagu report it is not known whether it will be floated on the market, sold to an existing company or be given some other corporate form. It will become a government company in April 1991 and private capital will be introduced soon afterwards.

With a staff of 500 in Cardiff, most of them underwriters or other professionals, the insurance group will then become an important part of the city's privately-owned financial base, probably as important as any of the existing concerns. "There are more of the world's experts in this field in Cardiff," according to Mr Colin Foxall, group director of insurance services, "than anywhere else in the world. The company that will emerge will be a company of world standing with a unique product."

Furthermore, it will be a profitable company: the insurance group is the profit-earner within ECGD based on a growing turnover. Four years ago it was forecast that the amount of insured business handled by the group in Cardiff would decline to £8bn-£9bn in the year just ended. In fact, it has risen to £13bn.

"We have been consistently profitable and there is scope for making further good profits in the future," says Mr Colin Foxall, who will almost certainly head the putative company.

"In Europe there are enormous opportunities. Prices tend to be much the same across the board so you have to sell on quality of service. We have that quality and we should do well in the open market.

"Only four years ago, for instance, we gave a decision on whether to insure a risk within 24 hours to about 18 per cent of our customers. Today, 80 per cent of them get it in that time." Mr Foxall might have added that 50 years ago it would have taken four weeks.

Over the longer-term Mr Foxall sees the emergence of a small number of credit insurers. In this business size and the economies of scale that go with it are all important and he believes the eight or nine principal operators in Europe at the moment will be reduced to about three. Naturally, he believes the insurance services group of ECGD, under whatever name it takes in future, will be the leading one, which is the best news possible for Cardiff.

Anthony Moreton

Patrick Hannan on newcomers

Geographical revelation

PEOPLE are constantly amazed by South Wales because it turns out to be quite unlike the place they imagined. According to Bruce McDowell, managing director of TSB's General Insurance Services operation, that might well be due to a deficiency in school geography lessons.

"It always surprises me that knowledge of the geography of Britain among even the well-educated seems to be confined to the areas in which they live," Mr McDowell said.

So, to mention South Wales is to conjure up images of economic and environmental gloom – all coal tips, closures and dereliction.

The transformation of the area has been so radical and so rapid that nowadays a company such as TSB is probably a more typical employer than heavy industry.

TSB moved its general insurance services to Newport two years ago because of shortage of staff and shortage of space.

The company laid down a number of specific requirements for a relocation site. Communications were especially important because a firm decision had been taken that no new site should be more than two hours' drive from its headquarters in Andover.

The quality of life in the area was also a central consideration, together with standards of housing, education and recreation, all crucial to staff who were planning to move.

Equally important was the availability of a labour force big enough and of a high enough quality to fill the jobs that would be transferred – initially more than 250.

"We have been extremely pleased with the quality of the applicants we have had locally," Mr McDowell said.

TSB originally began by looking at more than 60 sites within the stipulated radius from Andover, but soon narrowed the list to a handful, including Bristol and the West Midlands. According to Graham Palmer, who was the relocation project manger, the decisive factor in favour of Newport was the availability of a government grant. "It meant that the exposure of the company was that much less in what was a risky operation. Many of our experienced staff would not be able to move. That meant we would be reducing our experienced workforce by something like a third."

As it turns out it does not seem to have done TSB much harm – and the company's confidence in the area is that, having leased premises from the Welsh Development Agency to begin with, they are now spending £12m on putting up their own building in another part of Newport.

A similar kind of confidence has been shown in Cardiff by NPI, which spent almost £5m buying the old South Glamorgan County Council headquarters and afterwards invested another £11m in completely renovating it.

The company's problem of staffing and space were acute. Working out of 15 different buildings in Tunbridge Wells was clearly unsuitable, to say the least. Added to that was the fact that the unemployment rate in the area was around 1.5 per cent – which counts as no unemployment at all in Government statistical terms.

"We could see that he Tunbridge Wells operation was not going to be viable," said Brain Blake, NPI's assistant general manager for customer service.

The answer was to move part of the customer service division elsewhere, but although the company looked at sites in many parts of Britain, South Wales was not on the list.

That changed with the launch of the Financial Services Initiative in South East Wales early in 1988. Although the company was a long way into the process of selecting a site, NPI nevertheless decided to look at Cardiff.

The most important factor in Cardiff's favour was the availability of a labour force of the right quality and in the right numbers.

"We are very pleased to be here. Cardiff has made us very welcome right from the start and we are very pleased with the quality and enthusiasm of our new staff," Brian Blake said.

"Over a period of two or three months we brought a couple of hundred staff and their families to the area. Originally we made plans for 60 or so to move but in the end we were well and truly oversubscribed."

TSB has had a similar kind of experience and Mr McDowell sees only one employment problem in the area.

"When you are recruiting in a national market the view of South Wales is a disadvantage. That is because it is not a well-established financial centre."

Of course, the arrival of companies such as TSB and NIP will help change that but South Wales has its attractive qualities – even for high fliers.

One industrialist said: "This place is becoming known as the graveyard of ambition. Once you get people in here you can't persuade them to leave again."

TECHNOLOGY

Michael Skapinker and Louise Kehoe explain why Sematech and Jessi have joined forces

A marriage of convenience

The recent collaboration agreement between Sematech, the US semiconductor industry consortium, and Jessi, its European counterpart, stems from a recognition that if the two sides do not unite to counter Japanese dominance, they might be doomed to decline separately.

The agreement to co-operate on two projects is, however, only the first step in ending the mistrust and resentment which several in the European chip industry feel towards their American counterparts.

"We are still at the very early stages of co-operation," says Carlo Ottaviani of SGS-Thomson, the Italian-French semiconductor company. "We certainly do not want to give the impression that we have found the recipe we are looking for in co-operation between European and American organisations."

Members of Jessi (Joint European Submicron Silicon Initiative) and Sematech have agreed to join forces to look at the strengths of Japanese companies and the extent to which European and US manufacturers are able to match them. A second project will investigate the adoption of common semiconductor standards. The two projects will start immediately.

Sematech said it would also co-operate with Jessi on ways of improving semiconductor manufacturing equipment. Sematech has its own project in this area and will share some of the results with Jessi. The two organisations might then co-operate on the development of materials and manufacturing equipment. They will also discuss future co-operation in the field of computer integrated manufacturing.

The projects, which still have to be ratified by the Jessi board, are the results of talks between the two sides which began last year. Relations between the two organisations have been frosty as a result of the American body's refusal to grant membership to the US subsidiaries of European companies.

Sematech and Jessi also have distinctly different styles and modes of operation. Sematech, for example, is anxious to play down the notion that it is anti-Japanese. Robert Noyce, Sematech's president, has said that he would be delighted to let Japanese companies help pay the bill for Sematech's research efforts, but that none has offered.

To Klaus Knapp, Jessi's spokesman, the reply to any Japanese companies which wanted to join the European body would be simple. "The answer would be 'no'," he says. "Jessi is there to ensure that the Europeans can catch up with the Japanese."

Even so, some large European electronics companies, in particular Siemens, already use Japanese technology in the production of their semiconductors. For example, Siemens's successful one megabit D-Ram is based on a chip design by Toshiba.

The Americans and Europeans also seem to have different perceptions of the issue of Sematech membership. Sematech says it has not received any applications for membership from European companies. SGS-Thomson's Ottaviani says the reason for that is because the Europeans have been told their applications would be refused. "Before you make a written request, normally you make a verbal enquiry and if the answer is 'no' you don't proceed. We've received a clear 'no' in the past," he says.

Sematech is also better established than Jessi and expects to give more than it receives in any co-operation agreement. The US semiconductor industry was quicker to recognise its shortfall in semiconductor manufacturing technology and formed Sematech in 1988.

Fourteen member companies provide half of the consortium's annual $200m budget, with the balance coming from the US Defence Department.

Robert Noyce: anxious to play down anti-Japanese sentiment

Sematech expects to to begin production this year of 0.5 micron chips – double the density of those currently in commercial production. The consortium does not make chips for sale, but produces chips in order to demonstrate the commercial feasibility of its technology.

Jessi, which was set up last year, is just beginning to establish its operations. It has the backing of the European Commission, several governments and most leading European information technology companies.

Despite their differences, Sematech believes that a strong European industry will benefit the US. "Our preference is to work with domestic suppliers, but failing that we would like to find alternatives to Asian sources," says a spokesman for Sematech.

Despite SGS-Thomson's resentment over Sematech's refusal to admit its US subsidiary, Europe's other leading semiconductor companies think that low-key transatlantic co-operation might be the way to go.

Speaking on behalf of the Siemens Semiconductor Group, rather than for Jessi, Knapp says that the two projects agreed upon could lead to closer co-operation in the future. "If you have a problem which appears to be insoluble, you can try a different approach," he says. "Instead of working from the top down, you can try to work from the bottom up. We may find that doing these two projects may make things easier. We might find that there are more possibilities for co-operation than we thought."

Niels Wiedenhof of Philips says: "We hope that these step-by-step proceedings will end with Europeans being allowed to participate in projects in the US."

There are already other examples of US-European co-operation. Earlier this year, Siemens and International Business Machines said they would join forces to develop 64 megabit dynamic random access memory (D-Ram) chips, capable of storing 16 times as much information as chips coming on to the market today.

IBM Europe has also been invited to submit project proposals to Jessi. Knapp says that if these are accepted, Jessi will effectively have granted membership to IBM.

Flare-up in software standards battle

The "Unix wars" broke out again this week with the announcement that talks between the rival Open Software Foundation (OSF) and Unix International (UI) aimed at resolving their two-year conflict over software standards have broken down.

At the heart of the dispute is a battle for control over vital software standards that will shape the future of "open systems": computers that can share software applications. Such computers are expected to represent about 20 per cent of the total $100bn (£60bn) worldwide computer market by the mid 1990s.

The dispute first surfaced two years ago, when industry heavyweights including IBM, Digital Equipment and Hewlett-Packard banded together to form OSF. The OSF founders objected to AT&T's plan to develop, in conjunction with Sun Microsystems, a new "unified" version of Unix.

The latest talks focused on a proposal from AT&T to relinquish control of Unix by spinning off its Unix Software Operation, the unit responsible for the development and marketing of Unix. Last November AT&T invited interested parties to discuss acquiring an equity stake in the operation.

The move was supposed to reaffirm AT&T's claims that Unix is an "open" standard and that it would not seek to take advantage of its ownership of the operating system to push its own computer sales or those of its business partners.

It now appears that discussions between AT&T and OSF and UI were derailed by the inability of the parties to agree to a formula for future control and ownership of the software operation.

David Tory, OSF president, said his group entered into the discussions with the expectation that a merged organisation would not be controlled by AT&T or any other company, but an agreement on that principle could not be reached.

Peter Cunningham, UI president, said that all of AT&T's proposals were based upon the principle of equal access. He blamed the collapse of the talks upon the divergent views of certain OSF members.

The failure of the talks represents a disappointment to many involved and undermines efforts to establish a single standard version of Unix. In a joint statement, the two groups stressed the positive, though limited, outcome of the talks. The discussions "resolved a number of issues, providing the opportunity for increased collaboration for the benefit of computer customers worldwide." Little new appears to have come out of the talks, however.

Instead, the breakdown has fueled efforts by OSF to develop its rival "standard" version of Unix. IBM, Digital, Hewlett-Packard, Groupe Bull, Hitachi and Siemens all reaffirmed their commitment to the group and announced that they have agreed to provide additional funding in the wake of Monday's announcement.

What is more, the damaging bitterness that surrounded the formation of OSF and UI two years ago is now resurfacing with each side blaming the other for what has happened.

Participants said that there was a lack of trust on both sides, despite public posturing by the groups over the past year aimed at downplaying their differences in the face of angry complaints from major computer buyers.

Strong egos on both sides made it impossible to achieve an agreement, some said. In addition, the groups remain divided over technical details of how best to achieve their shared goal of an industry-wide software standard analogous to those which exist in the personal computer market.

Taking personal computers as a model, the industry had aimed to create standards that would proliferate applications software designed to run on Unix computers. In the PC world, they noted, the wide use of Microsoft DOS operating system has spawned a huge market for "shrink-wrapped" application programs that can run on IBM-compatible personal computers manufactured by dozens of manufacturers.

The Unix market is, however, more complex than the personal computer market. It encompasses several different types of computers based upon dozens of architectures including standard microprocessors and proprietary hardware.

Both UI and OSF have been searching for a solution to the dilemma that currently exists of having dozens of different, incompatible versions of Unix. UI's approach, in conjunction with AT&T, has been to develop "binary user interfaces" for each of the most popular microprocessor chips including those from Sun Microsystems, Mips Computer, Intel and Motorola.

The BUI links the hardware and the operating system. Its role is analogous to that of an electrical adaptor that enables users to put two-pin, three-pin or foreign electrical plugs into any outlet.

With the introduction last year of its long awaited "unified" version of Unix, called System V.4, and the development of BUI, AT&T was able to promise application software compatibility between all computers based upon one of the standard microprocessors. It would then be possible, for example, to run applications designed for a Sun workstation on any other workstation built around Sun's Sparc microprocessor.

OSF, however, is attempting to make its version of Unix compatible across different types of hardware architectures. To do this it must make the operating system directly support a wide range of different instruction sets.

OSF has also rejected AT&T's Unix System V.4 as the basis for its development efforts. Instead it is building a different version of Unix around a kernel called Mach, developed at Carnegie Mellon University. Proponents claim that the resulting operating system, called OSF1, will be more advanced than V.4 and will become an industry standard. But OSF members, and their customers, will have to wait until 1991 for OSF1. Meanwhile those adopting V.4 hold the advantage of already having a "standard" operating system in place.

For computer users and buyers, the breakdown of the talks between OSF, UI and AT&T raises concerns and confusion which some analysts suggest may delay purchase decisions. If so, then ultimately the entire computer industry will suffer from its inability to reach a consensus on standards.

Louise Kehoe

On course for tunnel meeting

Colin Kirkwood, technical director of Eurotunnel, is taking bets that the service tunnel being driven between France and England, before the digging of the two main Channel tunnels, will meet in the middle with an error of less than six inches.

His confidence of achieving such accuracy over 22 miles was bolstered when the service tunnel bored up through Shakespeare Cliff on the English side to emerge at the terminal behind Folkestone. It was just two inches off course.

The navigation for the Channel tunnel starts in space. The new American Global Positioning System has been used to establish the distance between France and Britain on the line of the tunnel. Although the system will not be fully operational until later this year, it has already proved good enough for the surveyors to obtain position fixes accurate to within one-tenth of an inch.

After establishing base lines on the British and French coasts the surveyors guide two tunnelling machines by laser beam. A series of sights are taken regularly down the tunnels from the two mouths. Angles are accurately measured when the direction changes slightly. As each tunnelling machine moves forward – its cutting head turning at between two and three revolutions per minute – a laser beam falls on a target on the back of the machine. Any variation is shown at once on the driver's instruments.

When the machines are within a few dozen yards of each other their courses will be diverted so that they will tunnel alongside each other and then pass on for a short distance. Traditionalists will be pleased to know that the final breakthrough – made by digging through the thin wall of chalk between the two tunnels – will be achieved by pickaxe. The tunnel will then be made straight at the joining point.

The two machines, which cost £4m each, will be sealed up forever in the tunnels. That seems a hard way to reward such unremitting labour. But it would not be economic to bring them out.

Roy Hodson

COMPANY NOTICES

Telefonaktiebolaget L M Ericsson

(L M Ericsson Telephone Company)

The Annual General Meeting of the Company will be held in the Berwald Hall, Strandvägen 69, Stockholm at 5.00 p.m. on Tuesday May 8, 1990.

The following items will be on the Agenda of the Meeting:

1. To elect a Chairman for the Meeting
2. To approve the voting list
3. To confirm that the Meeting has been properly called
4. To elect two persons to check the minutes of the Meeting
5. To present the Annual Report and the Auditors' Report
6. To present the Consolidated Accounts and the Auditors' Report on the Group
7. To approve the Profit and Loss Statement and the Balance Sheet
8. To approve the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet
9. To discharge the members of the Board of Directors and the Managing Director from liability
10. To determine the appropriation of the profits, provided the balance sheet is approved
11. To fix the date of payment of the dividend declared
12. To decide on split of share, i.e. each share of nominal value 50 Crowns will be split into five shares of nominal value 10 Crowns by changing the Articles of Association so that the nominal share value will be decreased from 50 to 10 Crowns
13. To determine the number of members of the Board of Directors and deputy members
14. To determine the remuneration payable to the members of the Board of Directors and to the Auditors
15. To elect members of the Board of Directors and deputy members
16. To elect Auditors and deputy Auditors
17. To decide on any other business which according to the Companies Act of 1975 shall be dealt with at the Meeting.

Shareholders intending to participate in the Annual General Meeting must be entered as Shareholders in the share register kept by Vaerdepapperscentralen VPC AB (securities register centre) not later than April 27, 1990.

Shareholders whose shares are registered in the name of an agent must register the shares temporarily in their own names not later than April 27, 1990, in order to participate in the Meeting.

In addition to the above-mentioned requirements, Shareholders shall give notice of attendance to the Headquarters of the Company, Corporate Legal Affairs, S-126 25 Stockholm, Tel. No: 46(0)8 719 34 44, between 10.00 a.m. and 4.00 p.m. daily, not later than May 3, 1990 at 4.00 p.m.

Any person desiring to participate in and to vote as proxy on behalf of a Shareholder at this Meeting must produce a dated Power of Attorney before being allowed to do so.

The Board of Directors has proposed May 11, 1990 as the record day for payment of dividends. Provided this proposal is approved, the dividend is expected to be paid by Vaerdepapperscentralen VPC AB on May 18, 1990.

April 1990 The Board of Directors

COMMODITIES AND AGRICULTURE

Partners out of step in UK dairy dance

Bridget Bloom on efforts to end cartel-like arrangements for marketing British milk

BRITAIN'S MILK Marketing Board saga is beginning to resemble a stately quadrille: the only problem is the dancers seem unsure of the steps, only faintly perceive the tune and have no conductor to guide them.

At the heart of the matter is the dairy industry's need to come to terms with the modern world: not just of Thatcherite, enterprise-Britain, but of the European Community's approaching single market. The industry's cartel-like arrangements for fixing prices and profits seem set to stifle innovation, efficiency and competitiveness just at a time when these are most needed.

Talks between the Milk Marketing Board of England and Wales (by far the biggest of the five boards in the UK) and the Dairy Trades Federation, which represents the manufacturers, have dragged on since last August and now seem deadlocked. Hence the recent intervention of British Ministers. But while Mr John Gummer, the Agriculture and Food Minister, has verbally cracked the whip he has drawn back from action, trying instead behind the scenes to cajole the participants into the reforms that all acknowledge are necessary but all seem to fear.

The principal reform being sought is of the statutory monopoly powers exercised by the Milk Marketing Boards: they buy all the milk produced by Britain's 44,000 dairy farmers and sell it on to the dairy companies. One of those, Dairy Crest, is owned by the MMB for England and Wales and has 30 to 35 per cent of the £4.7bn dairy products market. Dairy Crest and half a dozen other companies in the DTF, including Unigate and Express Dairies, annually negotiate prices with the MMB for milk according to its end use and in such a way that guarantees them a minimum return on capital employed.

The system, originating in the agricultural depression of the 1930s to protect farmers from powerful dairy companies and sanctioned by the EC authorities on Britain's entry in 1973 in the hope that it would curb growing milk surpluses, is now widely criticised. Even the MMB publicly acknowledges that it seriously distorts milk supplies since it takes little account of real demand: no matter what, milk for liquid consumption is highest priced, that for cheese and yoghurt follow, with butter and milk powder the lowest.

Britain is not self-sufficient in milk and with the coming of the single market innovative processors or competitive retailers will obtain supplies elsewhere. Already imports are rising dramatically in the value-added markets for yoghurts, soft cheeses and the like.

All the participants acknowledge the need for change – if in varying degrees. Over the last few months the MMB has proposed two variants of the present scheme. One, under which processors would tender for milk, has been turned down flat by the DTF as creating an uneven playing-field; it would leave the Board's monopoly intact while making the companies compete for supplies, says Mr Andrew Dare, managing director of Unigate's St Ivel and DTF president.

The other MMB scheme could be more acceptable to the DTF, for although it would allow for a small spot market in milk, dairy companies' contracts with the Board would be based on so-called service levels (principally delivery rates) rather than on end use. That proposal – which would do little to open up the milk market – is still formally on the table.

However, interest is currently focused on the possibility of the MMB abandoning its monopoly voluntarily, turning itself into a huge co-operative but retaining its ownership of Dairy Crest. (It is assumed that the three Scottish and the Northern Ireland Boards, which also own manufacturing companies, would follow the MMB's example).

Abandoning its monopoly in this way is a vision which seems to frighten the MMB and its farmers, among whom it raises the spectre of the 1930s. For the DTF it is anathema, while the Government is adopting a hands-off policy. It is however the Agriculture Ministry's favoured solution.

In a recent paper sent to both sides (but apparently initially drafted in response to "what if?" questions posed by the MMB) Mr David Curry, the junior agriculture minister responsible, made clear that the Government saw no legal reason either in terms of UK or EC legislation why the MMB should not become a single co-operative – or several regional ones.

The paper noted that primary legislation in the UK Parliament would be needed both to abolish the monopoly and to arrange for the transfer of assets either to the new co-operative (which would own Dairy Crest) or, in the case of those farmers wanting to opt out, to the farmers themselves. Farmers would have to vote on the issue, while legislation would "need to take account of the interests of other parties affected and the wider public interest," the paper said.

The advantage of all this from the Government's point of view is that it would, at a stroke, abolish the cartel's price-fixing arrangements. Then it would be much more up to market forces to determine what happened.

For the MMB the preferred scenario would be that Dairy Crest, already strong, should become a more powerful player in a reformed and restructured dairy sector. But this would not be at all pleasing to the DTF. If it cannot keep the present system the federation, according to Mr Dare, would like to see the complete abolition of the MMB and the substitution of farmer co-operatives grouped around local dairies. This in turn is fiercely opposed by farmers.

No resolution of these differences is in sight and in a sense the participants are all engaged in a phoney war – a quadrille of uncertain tune and direction.

It would be easier for the MMB if the Government would "wield the smoking gun" and abolish the monopoly without further ado. Ministers, however, have their own reasons for not doing so. There is, they say, no parliamentary time for legislation but neither, against the background of its current problems, does the Government have the political stomach for gratuitously provoking farmers' wrath. As for the DTF, while it would clearly prefer the quiet life, it seems condemned to a reactive role.

Yet the dance must go on if only because the reasons for it will not go away.

Broker sees bright prospects for base metals producers

By Kenneth Gooding, Mining Correspondent

FOR MOST of the traded metals consumption prospects remain bright, producers' capacity utilisation will stay high, metal stocks will be low and prices will settle at favourable levels for the producers.

But metal prices would always be cyclical.

That upbeat, medium-term outlook was given yesterday by the metals team at the Shearson Lehman Hutton investment services group at the launch of two annual reviews – of the copper and aluminium industries.

On copper demand, analyst Mr Neil Buxton said a downturn in US construction and automotive activity was dragging back growth this year, but demand was expected to pick up again in 1992.

Shearson had changed its mind about supply prospects, he added. There was now little threat of vast over-supply. Too much attention had been placed in the past on huge new projects such as Escondida in Chile. However, to compensate, a number of mines were close to exhaustion and lower metal content in ores was leading to lower copper output in Zambia, Chile and Canada.

Net additions to annual capacity in 1990 and 1991 would be only about 90,000 tonnes and 199,000 tonnes respectively. By 1992 any capacity additions would be needed to cope with demand growth.

There would be only a "modest" copper supply surplus this year and in 1991. Stocks would represent only five weeks of normal usage in those years and would be under 12 weeks in 1992 and 1993. Consequently, the market would remain vulnerable to supply interruptions or surges in demand.

Shearson suggested the London Metal Exchange spot price of copper would average about $1.15 a lb this year and 95 cents in 1991 compared with $1.29 a lb last year.

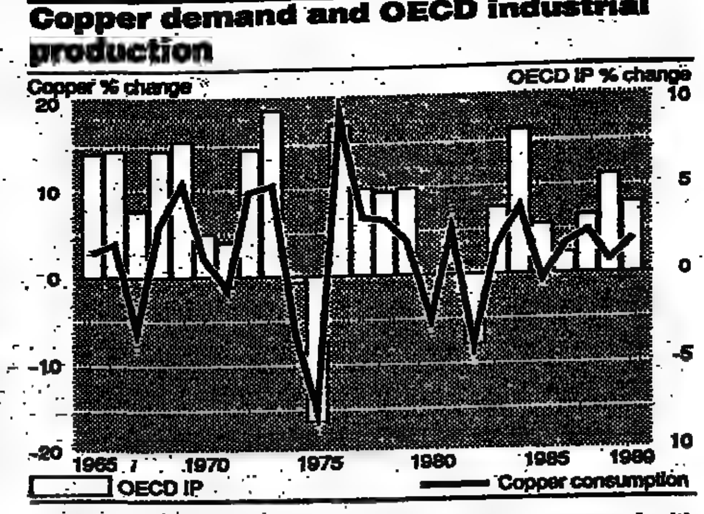
On aluminium prices, he said the worst of the recent fall had almost certainly been seen in January this year. Shearson suggested the LME aluminium spot price in 1990 will average 75 cents a lb and rise to 80 cents next year compared with 89 cents last year. Mr Buxton admitted price forecasts for both copper and aluminium were conservative.

Consumers lived off aluminium stocks during December and January because they were certain prices would fall, he said. That de-stocking was now over.

Aluminium stocks had built up during the past 18 months but still represented only 6.5 weeks of normal use – which left the market vulnerable.

Annual Reviews of the Copper and Aluminium Industries: 1990. £500 or $1,000 each from Shearson Lehman Hutton, One Broadgate, London EC2M 7HA.

Copper demand and OECD industrial production



The amiable champion of America's farm trade

Nancy Dunne talks to the House of Representatives' agriculture committee chairman

AFTER 25 years in Congress Mr Kika de la Gaiza still travels light. No entourage follows in his wake; he displays no pretensions.

Although he has climbed in the US House of Representatives to the chairmanship of the Agriculture Committee, head of the Hispanic caucus, and the leadership of the US-Mexican Inter-parliamentarian Group, he seems simply a Spanish-American Everyman.

This shy, amiable south Texas congressman on a fact-finding mission this week in Brussels and Geneva – is an ardent champion of American commerce. It is in this capacity that he will be assessing the US-EC deadlock over the American proposal in the Uruguay Round of the General Agreement on Tariffs and Trade to eliminate "trade-distorting" support for agriculture.

A team player, Mr de la Gaiza pays lip service to the American plan submitted to the international trade negotiations. But he is clearly unenthusiastic and stresses his determination not to bargain away US farm support unless "everything else" – like the EC's common agricultural policy -is "on the table."

Kika de la Gaiza: a Spanish-American Everyman

And he knows that it is not.

In a year when Congress must reauthorise the US Farm Program, the chairman is much in the spotlight. His constituents in what he calls "out there" see no reason for much change from the 1985 Farm Bill. They believe it helped haul American agriculture from its worst economic crisis in 50 years by expanding exports, dropping prices, and subsidising much of the difference.

He treats with light humour the current craze in Washington to insert "flexibility" into the farm programme to allow farmers "to plant for the market place." This threatens new surpluses when all the old ones have all but disappeared because of recent droughts and the farm programme. A delegation he met from Michigan asked for flexibility, he told a respectful group of farmers from South Carolina.

"You want flexibility. I'll give you flexibility. But they said, 'don't let them plant edible beans'."

Mr de la Gaiza sees no reason for current efforts in Congress to target support away from the larger, richer farmers. Agriculture has become a high cost sector, he says. With a $500,000 operation a farmer may clear only $10,000 to $15,000 a year. And besides, the proposals aimed at the big, usually end up hurting "the little guys".

It falls to Mr de la Gaiza to defend the billions in support paid out to farmers. He does it with zeal and five omnipresent charts he employs to demonstrate the "infinitesimal" percentage (0.63 per cent) spent from the Government's budget for the US farm programme.

"I don't know if you've seen my charts," he tells visitors, "that little tiny line is what we put on government to support agriculture, but what does agriculture mean? It means a lot of things, including that you and I would not be here if we did not have agriculture.

"That 0.63 per cent supports 18 per cent of the country's GNP."

The chairman's office reinforces an impression of quirkiness and broad interests. Books overflow the desk and tables onto the chairs. Family photographs mingle with oil paintings, carvings, china and a large globe. Place of honour is given to a modernistic painting on an easel – produced, it turns out, by a monkey.

The committee office displays pictures of numerous breeds of goats, a new and thriving sector the chairman has promoted. The industry last week showed its gratitude, naming a goat research institute in his honour.

The chairman's modest, public persona and old-school ceremonious courtesy conceal a shrewd mind, according to colleagues and farm lobbyists. "He's one of the most internationally knowledgeable men in Congress," says one. "He's foxy."

Says another: "When the legislative train pulls into the station Kika's got all his own freight aboard."

He insists he has no brief to negotiate during his European trip, but he acknowledges paving the way for settlement of previous trade disputes. And his committee must pass on any agricultural pact agreed upon under the Gatt.

Clearly he won't let his farm constituents pay the price for any deal. He tells frequently of a recent revelation aboard a nuclear-armed US submarine.

"It carried enough megatonnage to destroy the world," he says. That started me thinking about how the Soviets knew the whereabouts of all US troops, all our planes and ships, except for the submarines.

"I asked the commander how long he could keep this thing under water, and he said 'as long as I have food for my crew.'

"So who is responsible for the peace and security of the world? The farmers of America!"

Record soyameal usage forecast

WORLD CONSUMPTION of soyabean meal is likely to rise by 8.5 per cent to a record 70.2m tonnes in 1989-90 (October-September) because of attractive prices, according to Oil World, the Hamburg-based newsletter, reports Reuter.

The previous record was 68.1m tonnes in 1987-88.

Soyameal is expected to account for the entire forecast 4 per cent rise in usage of 12 oilmeals in 1989-90. Use of the 11 others is likely to to fall by 300,000 tonnes.

Demand for soyameal is strongest in the European Community and the US with big rises also expected in Japan, Taiwan and South Korea. Its price has become more attractive compared with fish meal, rapeseed meal and most other oilseed meals in past months, the newsletter says.

The price of Argentine soyameal pellets fell below $200 a tonne cif Rotterdam in March – the lowest level for nearly three years. Brazilian and US prices have also fallen sharply.

With world supplies of competitive oil meals expected to stagnate soyameal is expected to become even more competitive. It has already undercut feed grain prices in the EC and has become more competitive world-wide.

The sharp decline in soya, other oil meals and feed grain prices has encouraged livestock producers to use more high protein feeds, Oil World says.

Strong EC soyameal demand was indicated by a 1.2m-tonne, or 15 per cent, increase in new supplies (production plus net imports) between October and March.

South America has replaced the US as the EC's main soya supplier. EC imports of South American soyameal totalled a record 8.4m tonnes in 1989, compared with only 800,000 tonnes from the US.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,740-1,790 (1,750-1,790).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.20 (3.95-4.15).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.10-4.30 (4.20-4.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.10-8.45 (8.20-8.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 220-235 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.20-3.25(3.25-3.30).

SELENIUM: European free market, min 99.5 per cent, $ per lb, 5.50-6.00(5.60-6.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-56 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 4.00-4.30 (4.00-4.20).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices closed at the highest level for eight months in London yesterday, and were rising strongly in New York at midsession. The rise reflected rumours of a port strike and heightened tension in the Ivory Coast, where banks were closed because of a strike staged in protest against nationwide wage reductions. The Ivory Coast troubles also spurred coffee prices. On the LME were steady, with some players cautious after a wave of speculative liquidation on Comex on Monday which made sharp inroads into recent gains, despite the low level of available stocks. "There is now a chance of some major US players losing patience and trying to trigger the stoploss orders located around 116 cents for May," a leading London trader said. Gold closed unchanged on the London bullion market, although the market remained under pressure from the strong dollar and high interest rates. "I think there's going to be little more than short-term technical plays for a while," said one dealer, adding that no major market activity was likely before the Easter break. In Chicago maize prices were ahead by midsession, reflecting a surge in export tenders.

Compiled from Reuter

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.90-14.00	-0.60
Brent Blend	$16.47-16.53	-0.575
W.T.I. (1 pm est)	$18.17-8.20y	-0.555
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$218-221	-3
Gas Oil	$159-160	
Heavy Fuel Oil	$75-77	-2
Naphtha	$160-162	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.25	
Silver (per troy oz)♣	513.00c	-1.35
Platinum (per troy oz)	$477.65	-1.35
Palladium (per troy oz)	$128.25	-0.25
Aluminium (free market)	$1485	-25
Copper (US Producer)	126½c	
Lead (US Producer)	57.5c	
Nickel (free market)	410c	-5
Tin (Kuala Lumpur market)	17.35r	-0.41
Tin (New York)	304c	-7
Zinc (US Prime Western)	83¼c	
Cattle (live weight)†	112.87p	-1.8*
Sheep (dead weight)†	251.59p	-7.09*
Pigs (live weight)†	95.79p	-1.44*
London daily sugar (raw)	$367.4w	+3.6
London daily sugar (white)	$443.0w	+0.5
Tate and Lyle export price	£341	+4.0
Barley (English feed)	£104.5	-3.0
Maize (US No. 3 yellow)	£135.0v	
Wheat (US Dark Northern)	£119z	-1
Rubber (May)♥	58.70p	+0.70
Rubber (Jun)♥	56.50p	
Rubber (KL RSS No 1 May)	228m	
Coconut oil (Philippines)§	$345w	
Palm Oil (Malaysian)§	$277.5x	
Copra (Philippines)§	$230.0y	-12.5
Soyabeans (US)	£163.5	-1.0
Cotton "A" Index	82.30c	
Wooltops (64s Super)	572p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. t-May/Jun. v-Apr/Jun. w-Apr/May. z-Mar/Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
May	342.80	341.60	342.80	339.00
Aug	351.00	348.60	350.00	346.60
Oct	344.00	341.60	344.00	339.20
Mar	316.40	315.00	314.40	313.00
May	311.00	313.00	311.00	311.00
Aug	311.00	313.00	311.60	310.60
White	**Close**	**Previous**	**High**	**Low**
May	447.0	444.0	445.0	442.5
Aug	441.0	438.0	440.5	437.5
Oct	414.0	412.0	412.0	411.5
Dec	400.5	398.5	397.0	396.5
Mar	397.5	395.0	[illegible]	[illegible]

Turnover: Raw 1918 (4408)lots of 50 tonnes. White 2301 (2781)
Paris- White (FFr per tonne): May 2510, Aug 2496, Oct 2350, Dec 2270, Mar 2255, May 2245

CRUDE OIL – IPE $/barrel

	Latest	Previous	High	Low
May	16.45	16.95	16.75	16.48
Jun	17.00	17.42	17.30	16.95
Jul	17.48	17.82	17.71	17.48
Aug	17.78		17.93	17.75
Sep	18.01		17.99	17.92
IPE Index	17.12	17.66		

Turnover: (10593)

GAS OIL – IPE $/tonne

	Latest	Previous	High	Low
Apr	165.00	166.75	165.25	164.25
May	154.50	157.00	156.50	154.25
Jun	151.25	153.00	154.25	151.00
Jul	152.00	155.50	154.25	152.00
Aug	153.75	157.00	156.50	153.50
Sep	155.00	157.25	157.00	155.00
Oct	157.00	159.50	159.00	156.00
Nov	158.75	161.75	160.50	158.00
Dec	159.50	163.00	162.00	159.50

Turnover 13369 (7961)lots of 100 tonnes

JUTE
April/May c and f Dundee BTC $570, BWC $600, BTD $550, BWD $550; c and f Antwerp BTC $560, BWC $560, BTD $535, BWD $525.

COTTON
Liverpool- Spot and shipment sales for the week ended April 6 came to 405 tonnes against 287 tonnes in the previous week. Trading remained on the low side. Few dealings occured and these were mainly in American, West African, Israeli and Chinese growths.

COCOA – London FOX £/tonne

	Close	Previous	High	Low
May	829	826	828	816
Jul	874	845	874	830
Sep	863	864	862	845
Dec	881	865	882	869
Mar	903	905	903	890
May	915	919	914	906
Jul	930	932	928	919

turnover: 8340 (11751) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 9 1002.47 (1006.21) 10 day average for Apr 10 982.38 (961.69)

COFFEE – London FOX £/tonne

	Close	Previous	High	Low
May	725	708	727	715
Jul	720	701	726	708
Sep	732	710	735	718
Nov	743	722	743	725
Jan	754	733	754	735
Mar	768	744	767	748
May	780	760	780	775

turnover: 5084 (2175) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 9: Comp. daily 76.57 (75.65). 15 day average 75.00 (73.53)

POTATOES – BFE £/tonne

	Close	Previous	High	Low
Apr	145.0	160.0	145.0	140.0
May	217.5	198.0	219.0	190.0
Nov	108.0	107.0	104.0	101.0
Apr	156.0	160.0	158.0	153.1

Turnover 456 (419) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High	Low
Aug	126.00	126.50	126.50	126.00
Oct	126.50		126.50	

Turnover 45 (41) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High	Low
Apr	1448	1448	1455	1445
May	1453	1462	1467	1446
Jul	1307	1305	1310	1305
Oct	1403	1394	1405	1390
Apr	1411	1399	1415	1400
Jul	1203	1180		
BFI	1462	1462		

Turnover 468 (531)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High	Low
May	113.30	113.50	113.30	113.00
Jun	115.15	115.40	115.30	114.80
Nov	110.80	111.00	111.05	110.75
Jan	114.50	114.90	114.95	114.50
Barley	**Close**	**Previous**	**High**	**Low**
May	104.85	105.25	104.75	104.75
Sep	105.85	106.00	106.00	106.00
Nov	109.90	110.00	110.20	109.90
Jan	113.00	113.25	113.40	113.00
May	117.30	117.35	117.50	117.40

Turnover: Wheat 227 (90), Barley 183 (153).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High	Low
Apr	124.2	125.5	124.5	124.0
Jun	122.0	123.5	122.0	
Aug	115.5	117.5	116.0	
Oct	119.0	119.5	118.5	
Nov	119.0	119.0		

Turnover 11 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,700 tonne
Cash	1495-8	1509-11		1487-90		
3 months	1508-10	1518-9	1525/1502	1501-2	1503-5	42,330 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,850 tonne
Cash	1618-20	1626-8	1622/1618	1618-9		
3 months	1571-2	1571-2	1585/1568	1573-4	1567-8	78,964 lots
Lead (£ per tonne)						Ring turnover 11,475 tonne
Cash	530-3	517-20	540/537	536-7		
3 months	507-8	497-8	515/505	509-10	504-5	10,606 lots
Nickel ($ per tonne)						Ring turnover 1,722 tonne
Cash	8825-50	8800-50	8825/8800	8810-25		
3 months	8600-25	8660-75	8650/8600	8650-75	8625-50	7,813 lots
Tin ($ per tonne)						Ring turnover 1,045 tonne
Cash	6400-10	6450-60		6380-90		
3 months	6550-60	6580-600	6580/6405	6500-5	6530-40	6,638 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 15,875 tonne
Cash	1660-5	1665-75	1694	1692-3		
3 months	1603-5	1590-5	1615/1597	1614-5	1597-600	17,847 lots

LME Closing £/$ rate:
SPOT: 1.6350 | 3 months: 1.6026 | 6 months: 1.5817 | 9 months: 1.5669

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	375-375½	229½-230
Opening	375¼-375¾	229¾-230¼
Morning fix	375.30	229.851
Afternoon fix	375.20	229.621
Day's high	376-376½	
Day's low	374¾-375¼	

Coins	$ price	£ equivalent
Mapleleaf	388¼-391¼	236¼-239¼
Britannia	388¼-391¼	236¼-239¼
US Eagle	388¼-391¼	236¼-239¼
Angel	388¼-391¼	236¼-239¼
Krugerrand	375-378	229½-231½
New Sov.	88¼-89¼	54-54¾
Old Sov.	88¼-89¼	54-54¾
Noble Plat	483.35-491.05	295.85-300.35

Silver fix	p/fine oz	US cts equiv
Spot	313.05	511.50
3 months	324.60	522.25
6 months	337.15	533.45
12 months	361.70	556.60

TRADED OPTIONS

Coffee	May	Jul	May	Jul
650	75	88	1	18
700	32	57	8	37
750	9	36	35	66
Cocoa	**May**	**Jul**	**May**	**Jul**
800	32	89	5	17
850	6	58	29	36
900	0	36	73	64

Brent Crude	Jun	Jul	Jun	Jul
1850	-	19	8	117
1900			144	
1950		8		14

New York

GOLD 100 troy oz.: $/troy oz.

	Close	Previous	High	Low
Apr	374.0	376.0	375.5	372.4
May	377.4	377.8	0	0
Jun	379.3	380.4	380.3	376.2
Aug	[illegible]	385.2	385.1	381.3
Oct	388.6	390.0	389.7	386.4
Dec	394.0	394.8	394.0	390.6
Apr	404.0	404.4	0	0
Jun	[illegible]	409.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Apr	473.5	475.2	476.5	473.5
Jul	482.0	481.7	483.5	478.0
Oct	485.3	487.0	487.0	484.0
Jan	488.0	492.5	486.5	488.0
Apr	473.5	498.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
May	511.3	512.8	514.8	508.0
Jun	517.0	517.0	0	0
Jul	519.5	521.3	523.5	517.0
Sep	528.8	530.0	[illegible]	526.0
Dec	540.5	541.8	544.0	536.0
Mar	553.0	553.6	555.0	552.5
May	561.5	561.5	0	0
Jul	569.8	569.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Apr	121.00	119.70	121.25	120.00
May	119.35	116.70	119.50	116.75
Jun	115.40	112.70	0	0
Jul	112.35	109.60	112.60	110.00
Aug	110.35	107.70	0	0
Sep	108.35	105.80	108.60	108.10
Oct	106.95	104.50	0	0
Nov	105.60	103.25	0	0
Dec	104.25	102.00	104.00	102.50
Jan	103.45	101.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
May	18.00	18.44	18.55	18.00
Jun	18.61	18.96	19.09	18.59
Jul	19.03	19.35	19.48	19.03
Aug	19.45	19.66	19.76	19.45
Nov	20.00	20.12	20.28	19.98
Dec	20.05	20.15	20.35	20.05
Feb	20.16	20.19	20.25	20.14

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
May	5245	5307	5360	5245
Jun	5051	5123	5160	5051
Jul	5060	5118	5150	5055
Aug	5140	5192	5220	5140
Sep	5290	5329	5365	5290
Oct	5390	5411	5420	5385
Dec	5565	5575	5606	5560
Jan	5605	5607	5640	5600
Feb	5575	5545	5590	5560

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
May	1323	1255	1334	1227
Jul	1341	1276	1349	1249
Sep	1360	1289	1361	1264
Dec	1350	1304	1380	1280
Mar	1380	1325	1380	1300
Jul	1342	1351	1342	1325

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
May	97.90	97.13	99.80	97.70
Jul	100.00	98.92	102.00	99.60
Sep	101.80	101.08	103.50	101.60
Dec	104.10	103.52	106.50	104.00
Mar	106.50	105.75	107.80	107.00
May	108.50	107.50	0	0
Jul	110.00	109.00	0	0
Sep	113.00	110.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
May	15.50	15.46	15.52	15.33

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
May	74.25	73.13	74.60	73.40
Jul	73.66	72.65	73.98	72.95
Oct	67.25	66.80	67.40	67.00
Dec	65.43	64.96	65.70	65.20
Mar	65.55	65.86	0	0
May	66.86	66.50	66.60	66.55
Jul	66.95	66.58	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
May	195.60	194.75	197.50	195.60
Jul	192.90	191.75	193.90	192.00
Sep	188.20	186.05	188.75	187.00
Jan	175.95	173.75	176.00	175.00
Mar	176.00	173.75	176.00	175.00
Jul	175.00	174.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 10	Apr 9	mnth ago	yr ago
1930.5	1927.0	1919.5	2002.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 9	Apr 6	mnth ago	yr ago
Spot	134.37	133.25	133.58	136.68
Futures	133.80	134.31	135.17	137.57

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
May	590/4	591/6	593/0	588/4
Jul	604/4	605/6	607/0	602/0
Aug	610/0	611/0	612/0	607/4
Sep	609/6	611/0	612/4	608/0
Nov	615/2	616/6	617/6	613/4
Jan	625/0	626/0	626/0	624/0
Mar	635/0	637/0	637/4	633/4
May	642/4	645/0	644/0	641/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
May	21.67	21.53	21.67	21.37
Jul	21.81	21.71	21.85	21.56
Aug	21.78	21.65	21.80	21.56
Sep	21.62	21.50	21.67	21.45
Oct	21.45	21.30	21.46	21.25
Dec	21.40	21.32	21.46	21.20
Jan	21.32	21.25	21.40	21.25
Mar	21.25	21.25	21.35	21.25
May	21.20	21.05	21.35	21.20
Jul	21.20	21.00	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
May	173.4	174.8	174.8	173.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
May	272/2	269/4	273/0	269/2
Jul	274/0	271/2	274/0	270/6
Sep	267/0	264/4	267/0	264/0
Dec	261/6	260/4	262/4	259/4
Mar	268/0	266/4	268/0	265/2
May	270/6	268/6	271/0	269/4
Jul	272/6	271/0	273/0	271/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
May	362/4	360/6	364/0	357/4
Jul	338/0	338/6	340/4	337/0
Sep	346/0	344/0	346/6	343/4
Dec	358/0	356/4	359/0	355/6
Mar	362/0	363/0	363/4	362/0
Mar	370/0	370/0	370/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Apr	80.22	79.92	80.25	79.90
Jun	74.07	73.82	74.20	73.87
Aug	73.02	72.87	73.10	72.85
Oct	74.72	74.57	74.75	74.55
Dec	74.72	74.65	74.75	74.52
Feb	74.67	74.62	74.72	74.62
Apr	74.70	74.60	74.70	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Apr	55.37	54.90	55.60	54.87
Jun	59.57	59.17	59.62	59.15
Jul	59.17	58.72	59.20	58.75
Aug	57.52	56.90	57.55	57.00
Oct	51.92	51.37	52.00	51.50
Dec	50.95	50.25	51.00	50.60
Feb	49.95	49.50	49.95	49.45
Apr	46.95	46.85	47.10	46.87

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
May	55.80	54.87	56.00	54.80
Jul	55.92	55.02	56.00	55.30
Aug	54.60	53.82	54.70	53.95
Feb	59.92	59.02	60.35	59.00
Mar	60.25	59.25	60.25	0
May	59.90	59.50	59.60	59.50

LONDON STOCK EXCHANGE

Late rally after support levels tested

THE LONDON stock market yesterday resembled for a while a sailing vessel drifting closer to dangerous rocks. Twice it came perilously close to the FT-SE 2,200 area, a recognised support level, and only at the very end did a rather becalmed market find a favourable breeze.

There was no lack of disturbing news to unsettle confidence, even if much of it might have been foreseen. By mid-morning, the Footsie was nearly 20 points down at 2,207.9. There was an almost audible sigh of relief in the City of London when share prices steadied at that level, although the uptick proved short in duration and the morning's low was retested later in the session.

Account Dealing Dates		
First Dealings:		
Mar 26	Apr 9	Apr 30
Option Declarations:		
Apr 5	Apr 26	May 10
Last Dealings:		
Apr 6	Apr 27	May 11
Account Day:		
Apr 17	May 8	May 21

*New time dealings may take place from 9.00 am two business days earlier.

Traders, however, said there was never any weight of significant selling, and the market rallied well in late dealings when Wall Street was edging higher. With New York 2.25 Dow points up in London hours, a mid-afternoon fall of 20 points on the FT-SE Index was halved by the close. A small buy programme from a UK house helped the recovery.

Equities opened in poor heart, with another downward lurch in Tokyo, weakness in sterling and in UK Gilts, and a string of poor dividend and profits announcements from the UK building and retail sectors, all serving to depress share prices.

In the early part of the session, the stock market was led from the futures sector, with share prices tumbling as the premium on the June Footsie contract was cut from 21 to 14 points, at which level it then remained. The ultimate recovery in share prices was helped by similar rallies in sterling and at the long end of the UK bond market.

The final reading showed the FT-SE Index at 2,217.5, a decline on the day of 10.2. Dealers drew encouragement from the market's success in rallying from its nearest support line – the next would be around FT-SE 2,170, according to chart strategists.

But it was agreed that turnover in the market is still too thin to inspire much genuine conviction behind day-to-day movements in the Footsie. Seaq volume of 365.3m shares yesterday showed little significant improvement over the 304.6m of the previous day.

The nervously awaited corporate news from the retail and construction sectors proved every bit as bad, or even worse, than expected. The reference to a difficult outlook at RMC, one of Europe's biggest suppliers of building materials, confirmed the market's fears of the effects of high domestic interest rates on the construction industry.

Among retailers, a disappointing dividend payout and a £46.7m loss at Next, once a sector high-flier, was bad news for an equity market leaning heavily on its current dividend yield for investment support.

FINANCIAL TIMES STOCK INDICES

	Apr 10	Apr 9	Apr 6	Apr 5	Apr 4	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	76.87	77.20	77.45	77.84	77.25	86.06	84.20 (2/1)	75.91 (21/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.96	86.00	85.32	86.53	86.17	96.77	92.91 (8/1)	85.12 (23/3)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1732.5	1742.3	1740.2	1756.3	1749.7	1672.8	1968.3 (3/1)	1732.5 (10/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	254.8	257.4	256.0	258.0	257.4	185.6	378.5 (6/2)	253.4 (2/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2217.5	2227.7	2221.1	2239.5	2231.6	2031.3	2463.7 (3/1)	2216.0 (6/3)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.16	5.14	5.13	5.08	5.10	4.60				
Earning Yld %(full)	11.93	11.87	11.93	12.08	12.13	11.19				
P/E Ratio(Net)(☆)	10.18	10.23	10.17	10.01	9.96	10.79				
SEAQ Bargns 4.45pm	19,993	21,968	37,426	34,007	35,200	24,473				
Equity Turnover(£m)†	-	590.63	949.64	1142.09	873.19	1142.37				
Equity Bargains†	-	24,206	39,873	36,698	36,130	26,809				
Shares Traded (ml)†	-	316.5	539.9	464.4	476.2	445.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.88

Ordinary Share Index, Hourly changes — Day's High 1738.0 — Day's Low 1725.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1738.0	1731.0	1729.0	1728.6	1729.4	1726.6	1728.8	1725.6	1732.7

FT-SE, Hourly changes — Day's High 2221.0 — Day's Low 2207.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2221.0	2213.7	2212.1	2211.0	2211.9	2210.8	2211.3	2207.8	2217.7

GILT EDGED ACTIVITY

Indices*	Apr 9	Apr 6
Gilt Edged Bargains	77.8	85.6
5 – Day average	82.8	82.9

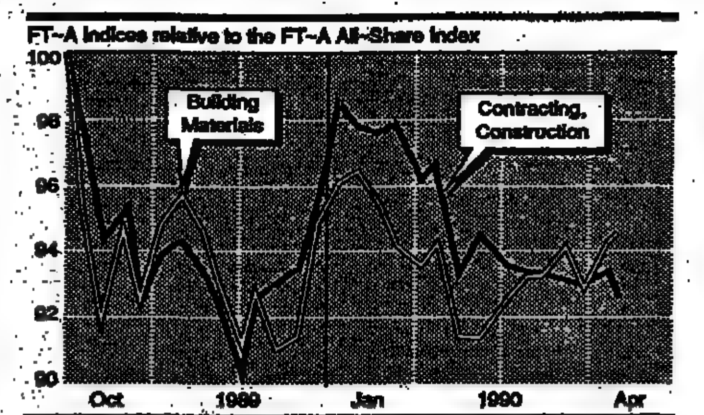
*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	1,500	182	-1	Cookson	2,100	194	+2½	MB Group	1,300	200	-1	Siebe	148	457	-4
ASDA Group	6,400	101	-3	Courtaulds	454	319	-1	MEPC	350	515	-1	Slough Ests.	670	306	-1
Abbey National	1,300	192	-1	Dalgety	18	376		Manpower	129	81	-3	Smith (W.H.) A	417	282	-1
Allied-Lyons	817	432	+2	Dixons	1,300	117	-1	Marks & Spencer	1,300	200	-2	Smith & Nephew	114	121½	-½
Amstrad	611	69	-1	ECC Group	567	356	-5	Maxwell Comm.	321	198		SmKl Beecham	1,700	497	+1
Anglian Water	182	146	-2	Enterprise Oil	351	637	-12	Mecca Leisure	830	68	-2	SmKl Beecham Units	[illegible]	[illegible]	[illegible]
Argos	3,100	202	-3½	FKI	709	68		Midland Bank	332	337	-2	Smiths Inds	66	230	-2
Argyll Group	459	207	-1	Ferranti	1,400	45		NatWest Bank	625	347		South West Water	131	152	-1
Ass. Brit. Foods	61	[illegible]	-1	Fisons	1,300	339	+2	Next	9,200	73	-6	Southern Water	498	135	-2
BAA	318	384	-3	Gen. Accident	182	1016	-3	North West Water	74	147	-2	Standard Chartd.	449	536	-2
[illegible]															

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Next out of fashion



LOSSES amounting to nearly twice analysts' worst forecasts caused shares of Next, the fashion retailing and mail order company, to drop by more than 8 per cent to the lowest level since mid-1984. At one stage they were down by almost 13 per cent at 69p, but rallied to finish 6 easier at 73p; a total of 7.8m shares changed hands.

Next's final losses of £46.7m for the year to the end of January 1990 compared with a £62.3m profit in the previous year, and with City forecasts of a loss ranging from £10m to £25m. The market was also discouraged by a final dividend of 2p, compared with expectations of 3p. However, Mr Steve Oldfield of Barclays de Zoete Wedd said: "It was the sheer scale of the losses that upset the market."

The pressure on Next increased as analysts downgraded their profit forecasts for the current year following a meeting with the company. County NatWest cut its forecast to £22.5m from £50m, while BZW moved down to £30m from £35m.

In spite of yesterday's losses, analysts warned that the shares could slide still further. One analyst said: "The only thing that can stop Next falling even more would be a takeover bid. But now the chances of that happening are not very great."

Warning from RMC

RMC shares reacted nervously, dropping to 610p on the warning that "high levels of inflation and interest rates in the UK point to a difficult outlook for the domestic construction industry." They later picked up to close 25 lower on the day at 625p.

The group announced preliminary profits of £248m, up 20 per cent, and a dividend total of 18p, up 24 per cent. Both these figures were at the top end of market expectations but provided little comfort for the shares.

Analysts were divided over the company's prospects for this year. Mr Martin Murch of Salomon Brothers stuck to the view that RMC has the "best portfolio of interests of any in the sector for the next four or five years." He added: "Germany is going really well and this should continue – it is the place you want to be as a building materials supplier." Mr Murch sees no reason to alter his current year forecast of £360m, but cautions that any increase in earnings per share will be marginal.

The BZW buildings team, on the other hand, is more cautious and cut its estimate by £10m to £295m. "We like them (RMC) long term but short term they have neither the multiple nor the yield to compare with the competition; we recommend a switch into Redland and/or Steetley."

Ultramar on offer

Ultramar shares were actively traded as news of the long-awaited sale of Huffington Corporation's 20 per cent stake in the Huffington liquefied natural gas refinery in Indonesia filtered through to the market. Ultramar has a 37.81 per cent stake in the refinery and recent suggestions in the market that the 20 per cent holding was about to be sold for $800m-plus have led to a revaluation of Ultramar shares.

In the background yesterday were stories of heavy buying of Ultramar put options, indicating that the traded options market expects the underlying shares to perform badly in the short term. Ultramar shares have see-sawed in recent months amid speculation as to the eventual price of the Huffington stake.

Talk in the market was that the Huffington stake had been sold to the China Petroleum Corporation, a Taiwanese company. No figures were officially released and there were estimates in the market ranging from a lowly $500m to as much as $900m. A specialist said he thought the former figure "too low and one that probably excluded a property element," but that equally he viewed the $900m as "too high."

Whatever the figure, dealers said Ultramar shares had been hit by a selling order of 500,000 shares and that a line of 1.5m had been on offer earlier. Ultramar closed a net 9 off at 360p, after 357p, with turnover a higher than usual 3.4m shares.

Turnover in Rolls-Royce swelled to a hefty 13m shares and the share price firmed 4 to 191p on talk that Spain, Italy and the US had signed a memorandum of understanding to procure 100 Harrier AV 8B jets, for which Rolls-Royce supplies the engines.

A large part of the day's trade was done by Goldman Sachs, the US investment house that managed Rolls-Royce's US roadshow last week, and which commenced London market-making in the stock yesterday.

Rolls-Royce was also the busiest option in the Traded Options market, with a total of 2,797 contracts traded, the equivalent of 2.7m shares.

Sentiment in Rolls-Royce spilled over into British Aerospace, the shares hardening a penny to 519p.

RTZ rose 5 to 554p, helped by the firm copper prices and a large overnight trade. Shearson Lehman Hutton, the US securities house, was said to have been a keen buyer in the options market.

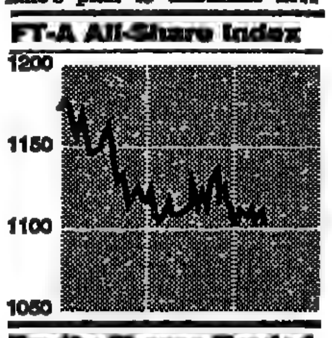
Sellers ahead of today's interim figures weakened Smith Industries, the shares losing 2 to 230p.

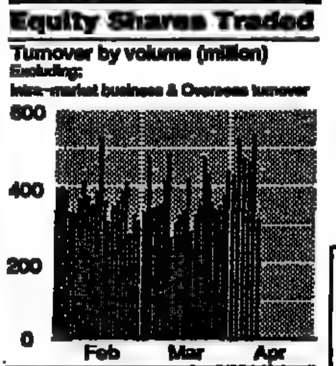
Willis Faber, the insurance broker, touched 274p before closing a net 5 up at 268p after some sizeable buying interest from UBS Phillips & Drew. The latter has prepared a buy note on Willis, saying the company should attain 25 per cent profits and earnings growth in 1991 and 1992 and that finally the benefits of the merger with Stewart Wrightson are coming through.

UBS expects the sale of Willis's Morgan Grenfell stake will add £6m to profits this year, while there will also be £6m-worth of currency gains. There *is also the chance that Johnson* & Higgins, the US insurance group, may increase its 5 per cent holding to perhaps as much as 10 per cent.

The international blue chips were unsettled by the weakness of the pound which, although helping their sales in overseas markets, threatens the big manufacturers with potentially higher UK interest rates. With sterling steadier in late deals, there were mixed price changes among the equity leaders.

The feature was BAT Industries, which fell 15 to 740p after the Californian Insurance Department ruled against Hoylake's plan to unbundle BAT by selling Farmers, its US insurance subsidiary, to Axa-Midi Assurances, of France. The relatively moderate fall suggested that the market has not abandoned all belief in Hoylake's chances of successfully bidding for BAT. Turnover in BAT was a modest 2.2m shares.





Among the pharmaceuticals, Wellcome recouped 10 of Monday's loss, closing at 715p, while Glaxo (784p) and Smith*Kline Beecham (497p)* remained close to overnight levels.

The only notable talk on an otherwise dull day for brewery stocks centred on Bass, which closed up 10 at 950p on speculation that the company had completed the sale of its Crest Hotel chain. A leading market-making firm, however, that spoke to Bass late in the afternoon understood that no sale had been completed.

Other brewery issues rallied with the opening of Wall Street. Grand Metropolitan closed only a penny off at 579p, while Allied Lyons ended 2 up at 432p and Scottish & Newcastle 5 higher at 297p. Whitbread "A" firmed 3 to 381p.

A shortage of stock pushed BOC 4 better to 524p, and it was a stock shortage in ICI as well that helped the latter's shares hold relatively steady, closing only a penny lower at 1094p.

A cautious statement on trading prospects for 1990 that accompanied full year figures dampened interest in Foseco. The company said it had made a slow start to the current year and 1990 looked set to be a testing year. The shares fell 14 to 228p in response as the company reported an improvement in profits from £43.1m for 1988 to £46.2m last year. BZW downgraded 1990 profit expectations following the release of the figures by £7m to £42m. The broker expects a modest recovery in 1991 and predicted profits of £44m for that year.

Yale & Valor jumped 14 to 282p, before easing back to close 10 up at 278p, on speculation that 5.8 per cent stakeholder Williams Holdings was keen to increase its holding. Williams closed unchanged at 553p.

The impact of Next's larger than expected losses rippled through the stores sector, with all the leading stocks falling back.

The weakness in Next's home shopping interests led to easiness in stocks with exposure to mail order. GUS led the retreat, with its "A" shares down 23 at 934p, but Sears eased only a penny to 92p.

Elsewhere, Marks & Spencer shed 2 to 200p and Storehouse lost 4 to 109p. Argos eased 3½ to 202p on some profit-taking after the excitement caused on Monday by the auction of 8.3m of its shares in the US. Argos traded 3.1m yesterday.

A 31 per cent profits rise by Lloyds Chemists to £5.1m failed to impress the market, which had been looking for something upwards of £6m. Lloyds decimed 6 to 189p.

Venture Plant, the USM-quoted hire plant group, halved in price from 42p to 21p when the group warned of a first-half loss and omission of the interim dividend.

The broad picture in the builders was one of increasing concern about the effect of high interest rates. A dealer commented: "Any second line building or materials group with what could be construed as high gearing is now regarded as vulnerable; we have been struggling to find buyers of these stocks for many months now."

Taylor Woodrow fell 8 to 241p, after 238p, following the annual figures. These showed profits of £116.9m compared with last time's £103.3m and market forecasts between £115m and £130m.

Asda, which shed 3 to 101p on 6.4m shares, had a busy session on talk of an analyst's downgrading and as a broker tried to sell two lines of stock, one of 1m shares and the other of 500,000. The broker attempted to sell at 101p but was said not to have succeeded in executing all of the business.

BICC, the heavy electricals and cable manufacturer, came under pressure after the chairman's statement at the annual meeting and fell 9 to 425p. Sir William Barlow warned shareholders that BICC's performance in property development and housing in the UK "continues to be affected by high interest rates, which also applies to parts of our Australian business."

Hints that one of the leading UK securities houses is preparing a bearish note on the water stocks kept the sector on the defensive throughout the session. The Water Package fell 25 to £1433.

■ Other Market statistics, including the FT-Actuaries share index, Page 27

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (19).
CANADIANS (1) BUILDINGS (1) CHEMICALS (1) STORES (1) ELECTRICALS (4) ENGINEERING (1) FOODS (1) PROPERTY (4) TRUSTS (4) OILS (1).
NEW LOWS (248).
BRITISH FUNDS (1) AMERICANS (1) BANKS (4) BREWERS (5) BUILDINGS (36) CHEMICALS (5) STORES (13) ELECTRICALS (8) ENGINEERING (7) FOODS (8) HOTELS (4) INDUSTRIALS (48) Alexandra W'wear, Amber Ind., BTS, Bridon, Beckenham, Beopak, Boots, Brammer, Bridon, British Vita, Clayhithe, Cosalt, Courtney Pope, Dean & Bowes, ECC, Elbief, Elders IXL, Ferromet, French (Thos.), Grampian, Granada, Do. 7½pc Cv., Hadleigh, Halma, Hawthorn Leslie, Manpower, Morgan Crucible, Parkfield, Photo-Me, Porter Chadburn, Rank Org., Reliant, Scott Robertson, Securicor, Do. A, Security Services, Southern Bus. Grp., Stormgard, T & N, Tamaris, Do. 8pc Cm. PL, Tams (John), Walker Greenbank, Waterford Wedgwood, Walpac, West Inds., Whitecroft, Worcester, INSURANCE (2) LEISURE (11) MOTORS (8) NEWSPAPERS (2) PAPERS (10) PROPERTY (11) TEXTILES (5) TRANSPORT (2) TRUSTS (32) WATER (5) OILS (2) OVERSEAS TRADERS (2) MINES (10) THIRD MARKET (3).

APPOINTMENTS

Senior posts at Pearl Assurance

■ PEARL GROUP, parent company of Pearl Assurance, has made four appointments to the board. Mr Ian Worner, chief general manager (corporate services), and Mr David Furness, chief general manager (UK home services, marketing and sales), join as executive directors. Mr Peter Costain, chief executive of the Costain group, and Mr Hugh Mellor, a director of Delgety, join as non-executive directors. These appointments follow the acquisition of Pearl by the Australian *Mutual Provident* Society.

■ Mr Chris Lee has been appointed senior associate director, treasury, at ROYAL TRUST BANK. He joins from Christiana Bank.

■ Mr Guenter Z. Steffens, general manager of Dresdner Bank, London, has been appointed a director of ALLIANZ INTERNATIONAL, an associate company of Cornhill Insurance.

■ Mr Nicholas Corah, formerly chairman of Corah, and currently a non-executive director of the Alliance & Leicester Building Society; Mr Robert Gunn, chairman, The Boots Co; Mr Nigel Rudd, chairman, Williams Holdings; and Mr Alan Schroeder, chairman and chief executive, R-B (Lincoln), have been appointed non-executive directors of EAST MIDLANDS ELECTRICITY.

■ Mr John Bostock has joined HUNTER DOUGLAS UK as managing director of the architectural products division, succeeding Mr Peter Hallberry who retires next year.

■ BULLERS has appointed Mr Hallam Mills as managing director of The Britannia Collection. He was commercial and distribution manager with Petrofina (UK).

C.H. INDUSTRIALS GROUP has appointed Mr Richard Gregory *(above)* as finance director of Auto Springs, Tensator Products, and Happich Engineering. He was a financial controller at British Telecom.

■ AIB BANK has appointed Mr Symon Elliott to the new post of head of consumer banking. He was sales and marketing director of TSB Direct.

■ Mr Mike Beaumont has been appointed divisional director of construction for FOSTER WHEELER ENERGY's process plant division.

■ ANTLER PROPERTY CORPORATION has appointed to the board Mr Roger Kilty, managing director of Antler Property Northern, a post he retains.

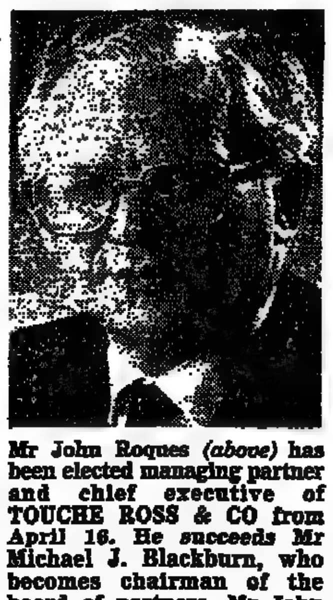
■ Mr Michael J. Smith has been appointed chief executive, print and packaging division, JEFFERSON SMURFIT. He was group managing director of Alpha Numeric Systems.

■ Mr Mike Casebourne has been appointed managing director of WIMPEY UK CIVIL ENGINEERING. He was a director of Cementation.

■ NORWEST HOLST has appointed Mr Lindsay Pritchard to the new post of group personnel director. He was personnel director of Pilkington Optronics.

■ DE MORGAN GROUP has appointed Mr Michael Daggett as managing director of de Morgan & Co.

■ Mr Jonathan P.L. Perry has been appointed chairman and chief executive of OGILVY ADAMS & RINEHART.



Mr John Roques *(above)* has been elected managing partner and chief executive of TOUCHE ROSS & CO from April 16. He succeeds Mr Michael J. Blackburn, who becomes chairman of the board of partners. Mr John Connolly succeeds Mr Roques as partner-in-charge, London office and southern offices. Mr H. Stuart Brown will be partner-in-charge of the other regional offices in the UK.

■ Mr Brian Smith has been appointed nanaging director of MANRO PRODUCTS, Stalybridge, part of Hickson International. He was European marketing director, Hickson Timber Products.

■ INCOMTEL has appointed Mr John V.C. Butcher as finance director. He was head of external finance at the Independent Broadcasting Authority.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅛	96⅝	Treas. 3pc 1990	99⅛xd	.....	3.02	11.24
[illegible]	97⅞	Treas. 8¾pc 1987-90	[illegible]	.....	8.34	14.24
[illegible]	97½	Treas. 8pc Cv 1990	[illegible]	–⅛	8.13	14.15
97½	96⅝	Treas. 10pcCv 1990	97½xd	–⅛	10.24	14.78
[illegible]	93⅞	Exch 2½pc 1990	[illegible]	.....	2.63	11.22
[illegible]	97⅛	Treas 11½pc 1991	[illegible]	–⅛	12.00	14.68
[illegible]	92⅞	Funding 5¾pc '87-91	93⅞	.....	6.13	12.71
91¼	89⅝	Treas. 3pc 1991	91¼xd	.....	3.28	11.61
96⅞	94⅞	Treas 10pc Cv '91	95⅞	–⅛	10.48	14.10
97⅞	94⅞	Exch. 11pc 1991	95⅞xd	–⅛	11.50	14.22
92⅞	90¼	Treas. 8pc 1991	91⅞	–⅛	8.78	14.12
101⅞	97⅛	Treas 12¾pc 1992	97⅞	–⅛	13.01	14.02
96	92⅝	Treas 10pc 1992	93½	–⅛	10.70	14.06
91⅞	89¼	Treas. 8pc 1992	89⅞xd	–⅛	8.91	14.00
97⅞	93⅞	Treas 10¼pc Cv 1992	94⅞xd	–⅛	11.17	13.91
84⅞	82⅞	Treas. 3pc 1992	83⅞	–⅛	3.60	11.08
100⅞	96⅛	Exch. 12¼pc '92	96⅞	–⅛	12.64	13.81
104	99⅞	Exch 13½pc 1992	99⅞	–⅛	13.56	13.68
91⅞	86⅞	Treas 8¾pc 1993	87⅞	–⅛	9.40	13.47
96⅞	90⅞	Treas 10pc 1993	91⅞xd	–⅛	10.88	13.33
103⅞	96⅞	Treas 12½pc 1993	97⅞	–⅛	12.79	13.36
85⅞	82⅞	Funding 6pc 1993	83⅞	–⅛	7.23	12.22
107⅞	100⅞	Treas 13¾pc 1993	101⅞	–⅛	13.55	13.20
91	85⅞	Treas. 8¼pc 1994	86⅞	–⅛	9.86	13.18
111⅞	103⅞	Treas 14½pc 1994	104⅞	–⅛	13.89	13.06
107⅞	100	Exch 13½pc 1994	101⅞xd	–⅛	13.34	13.11
96⅞	89⅞	Treas. 10pc Ln. 1994	90⅞	–⅛	11.02	12.93
104⅞	97⅞	Exch. 12¼pc 1994	98⅞	–⅛	12.73	13.04
92⅞	85⅞	Treas 9pc 1994	86⅞xd	–⅛	10.37	12.89

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
103⅞	95⅞	Treas 12pc 1995	96⅞	–⅛	12.41	[illegible]
76½	73	Exch 3pc Gas 90-95	74⅛xd	–⅛	4.04	[illegible]
96⅞	89⅞	Exch. 10¼pc 1995	90⅛	–⅛	11.36	[illegible]
108	98⅞	Treas. 12¾pc 1995	99⅞	–⅛	12.76	[illegible]
112⅞	102⅞	Treas. 14pc '96	104⅞	–⅛	13.46	[illegible]
92½	83⅞	Treas. 9pc 1992-96	85⅞	–⅛	10.59	[illegible]
119⅞	109	Treas 15¼pc 1996	[illegible]	[illegible]	13.88	[illegible]
[illegible]						

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
25⅛	21½	Treas. 2½pc	21½	–¼	11.40	–

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	(1)	(2)
115	110¼	Tr. 2pc '92‡‡(97.8)	112⅞	–⅛	3.77	5.09
105⅞	103¼	Do. 2 '94 (102.9)	105xd	–⅛	3.47	4.09
156¼	150⅝	Do. 2pc '96(67.9)	152⅞	–⅛	3.61	4.02
131⅝	123½	Do 2½pc '01(78.3)	125⅞	–⅛	4.01	4.27
128⅝	119⅞	Do. 2½pc '03(78.8)	122⅞	–⅛	4.06	4.26
131⅞	122⅞	Do. 2pc '06(69.5)	124⅞	–⅛	4.05	4.23
123⅞	113½	Do. 2½pc '09(78.8)	115⅞	–⅛	4.02	4.19
128⅞	118⅞	Do. 2½pc '11(74.6)	120⅞	–⅛	3.98	4.14
107⅞	97¾	Do 2½pc '13(89.2)	100⅞	–⅛	3.94	4.09
115⅞	105⅞	Do 2½pc '16(81.6)	108	–⅛	3.89	4.03
119⅞	102⅝	Do. 2½pc '20(83.0)	105⅞xd	–⅛	3.84	3.96
95⅞	86⅞	Do. 2½pc '24‡‡(97.7)	88⅞	–⅛	3.76	3.88

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1989: 115.5 and for February 1990: 120.2.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100¼	87⅞	African Dv Bk 11¼Ln 2010	88⅞	–⅛	12.62	12.75
96⅞	82⅞	Asian Dev Bk 10¼pcLn 2009	84⅞	–⅛	12.11	12.35
101⅞	87⅞	Euro Inv Bk 11pc Ln 2002	89⅝	–⅛	12.31	12.70
110⅞	97⅞	Int-Am Dev Bk 12½pc 2003	98⅞	–⅛	12.74	12.80
91⅞	78⅞	Do. 9½pcLn 2015	79⅞	–⅛	12.24	12.40
90½	81½	M'lysia 10¼pcLn 2009	81⅞	.....	13.19	13.45
110	109	Intl. Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
47	41	Met. Wtr 3pc 'B'	45	.....	6.67	10.86

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
35⅞	27⅞	Campbell Soup 15c	33⅞xd	+⅛	$1.00	–	1.8
21⅞	15⅞	Chase Manhattan $12½	17⅞xd	+⅛	$2.36	–	8.2
19¼	14	Chem. Banking Corpn	14¼	+¼	$2.72	–	11.5
12½	9½	Chrysler $6¼	10⅞xd	.....	$1.20	–	7.0
18¼	13⅞	Citicorp $1	14⅞xd	+⅛	$1.62	–	6.8
39⅞	31⅝	Colgate-Palmolive $1	35⅞xd	+⅛	s$1.48	–	2.5
12¼	8¼	Cont'l Bank Corp $4	8⅞	+⅛	$1.00	–	7.2
268p	128p	♦Corporate Data Sencs	186p	.....	–	–	–
21⅞	18½	Dana Corp. $1	21⅞xd	–⅛	$1.60	–	4.6
768p	510p	Data General	528p	+10	–	–	–
29½	25⅛	Dun & Bradstreet $1	28¼	+⅛	$2.00	–	4.3
35⅞	29⅞	Eaton Corpn. 50c	34	+⅛	h$2.00	–	3.5
10⅞	7½	Echlin Inc	7⅝	–⅛	70c	–	5.5
22⅞	19⅞	FPL Group 1c	19⅞	+⅛	$2.28	–	7.0
27⅞	21⅞	Fluor Corp 62½pc	26⅞	+⅛	24c	–	0.5
30⅞	25	Ford Motor $1	28⅞xd	+⅛	$3.00	–	6.2
41⅞	36¼	Gen. Elect. 63c	39⅞	+⅛	$1.88	–	2.8
427p	304p	♦General Host Corp $1	398p	+2	30c	–	4.5
34½	25⅞	Gillette $1	32⅞	+⅛	96c	–	1.8
315p	231p	Gt American Bank Bk $1	276p	+17	20c	–	4.4
20⅞	17¼	Greyhound $1½	18⅞	.....	$1.32	–	4.2
12⅞	10½	Hasbro Inc 50c	11⅞	–⅛	16c	–	0.8
55⅞	46½	Honeywell $1½	54⅞xd	–⅛	$2.75	–	3.0
21⅞	19¼	Houston Inds ‖	19⅞	.....	$2.96	–	9.1
67⅞	57⅞	IBM Corpn $1¼	64⅞xd	–⅛	$4.84	–	4.5
50p	30p	♦Image Storage Rt Sys.Inc.	35p	.....	–	–	–
35⅞	27⅞	Ingersoll-Rand $2	32⅞xd	–⅛	$1.20	–	2.2
25½	20¼	Lockheed Crpn $1	23⅞	+⅛	$1.80	–	4.7
11⅞	7⅞	Lone Star Inds $1	7⅞xd	.....	$1.90	–	15.4
28	24⅞	Louisiana Land 15c	26⅞	+⅛	$1.00	–	2.2
21⅞	15⅞	Lowe's 50c	19⅞	+⅛	52c	–	1.6
22⅞	16⅞	Manuf. Hanover $1	19⅞	+⅛	$3.28	–	10.2
16⅞	12⅞	Merrill Lynch $1	14	+⅛	$1.00	–	4.3
26⅞	21⅞	Molex Inc	24⅞	–⅛	3.2c	–	0.1
27⅞	20	Morgan (JP) $2½	21⅞xd	+⅛	$1.62	–	5.0
27	21⅞	Morris (Philip)	25⅞xd	+⅛	$1.13	–	2.6
56⅞	44½	NYNEX $1	50⅞	+⅛	$4.36	–	5.2
19p	8p	N'wide Legal Serv. ‖	8p	.....	–	–	–
21½	18⅞	PHH Corp. ‖	20¼	–⅛	$1.16	–	3.4
195p	155p	♦Pacific Agr ‖	167p	.....	–	–	–
14⅞	12½	Pacificorp $3¼	13½	.....	h$1.38	–	5.9
31⅞	24½	Pacific Telesis 10c	27⅞	+⅛	$1.88	–	4.1
22⅞	19⅞	Pall Corp. 25c	22	–⅛	40c	–	1.3
[illegible]							

CANADIANS

1990 High	1990 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	239	ANZ SA1	241	......	44c	1.4	8.2	8.6
196	172	Abbey National 10p	192	–1	5.7	4.3	4.0	7.8
282	238	Allied Irish Ord	262		[illegible]	3.3	3.1	13.5
£13¾	£11¾	Algemene Fl 10	£12¼		Q28%	2.0	7.2	6.9
85	73	Anglo Irish	82	...	Q18.7%	2.7	5.4	11.2
81	71	Ansbacher (H.) 1p	72	......	2.5	1.3	4.6	20.7
£70¾	£54⅛	Bancaire Cie Fr100	£67	[illegible]	[illegible]	–	2.1	–
£22¾	£16⅝	Banco Bilbao Viz	£16⅝	......	Q17.9%	2.0	4.3	11.5
£31	£24¼	Banco de Santander	£24⅛	......	Q25%	2.4	4.7	8.9
286	248	Bank Ireland Ir£1	261	–1	[illegible]	3.2	4.5	8.9
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.	†13.5	–	5.2	–
125	110	Bank Scotland	111	–1	†3.8	3.6	4.6	8.0
100¼	90	Do. 9¼pc Irrd Pf	92	–½	9¼%	–	13.4	–
54	52	Bank of Wales	52		2.8	1.6	7.2	10.9
599	539	Barclays £1	574	+1	27.4	3.5	6.4	5.7
22	16	Benchmark 20p	16	......	1.63	1.0	13.5	9.2
335	310	Brown Shipley £1	315		†10.5	–	4.4	–
455	403	Cater Allen £1	403	–1	23.5	–	7.8	–
179	149	Chancery	167	–3	†8.0	2.8	6.4	7.4
£23¼	£19¾	Commerzbk DM10	£21		Q18%	–	3.1	–
£27	£23¼	C'hgn Hbk. Kr100	£25	+¼	Q15%	–	5.5	–
£13¼	865	Dai Ichi K Bk Y50	895	–1	[illegible]	8.8	0.3	34.1
£313	£262¼	Deutsche Bk DM50	£286	–2½	Q28%	–	1.8	–
£20	£19	Espirito Santo	£20		Q75c	3.3	2.3	13.6
253	211	First Nat. Fin. 10p	231	+3	13.0	2.4	7.5	7.1
121	106	FNFC 6.3pc Cv Pf	120	+4	6.3%	–	7.0	–
£15¼	953	Fuji Bank Y50	992	–7	Q15.6%	4.2	0.3	–
325	269	Gerrard & National	279	...	18.5	–	8.8	–
154	146	Guinness Mahon 10p	146		42.1	–	1.9	–
328	264	Hambros 20p	270	–1	†10.0	–	4.9	–
128	106	Do. 7.5pc Cv Pf	107	....	7½%	–	9.3	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£14½	975	DAF N.V. Fl5	£11¼	.....	Q50%	●	7.4	●
149	120	General Mtrs Units	140	.....	ЦQ12½%	–	5.4	–
41	28	H-March Group 5p	31	.....	8	–	–	–
*£227½	£181½	Volkswagen DM50	£225½	–1½	ФQ20%	2.8	1.7	22.9
£44½	£35½	Volvo Kr25	£36½	+¼	Q62%	●	4.4	●

Commercial Vehicles

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
253	196	ERF (Hldgs)	198	.....	15.0	3.7	10.1	3.5
180	140	Plaxton Grp	141	–2	8.5	●	8.0	●

Components

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	458	.....	3.5	10.8	1.0	12.2
225	203	Airflow Streamlines	205	+2	6.0	4.2	3.9	8.2
190	165	Bostrom 5p	165	–3	5.75	●	4.6	●
260	191	Dowty 50p	204	–1	18.0	2.3	5.2	10.7
239	162	FR Group	162	–3	15.5	3.7	4.6	8.0
135	74	Kwik-Fit Hldgs. 10p	80	–2	2.4	2.8	4.0	11.9
694	568	Lucas Inds. £1	600	–11	25.0	3.0	5.6	6.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names; α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ¥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- || No par value

B.Fr. Belgian Francs. Fr. French Francs ☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1999. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	78	.....
Craig & Rose £1 γ	810	.....
Finlay Pkg. 5p γ	57	.....
Holt (Jos) 25p γ	1323	–7

IRISH

Cap. 8½% Ln. 1991	£96½	.....
9pc Cap Ln. 1996	£92½	.....
Fin. 13% 97/02	£110	.....
Arnotts	450	.....
Carroll (P.J.) γ	162	.....
Hall (R. & H.)	138xd	–1
Heiton Hldgs. γ	75	.....
IRG	215	.....
United Drug	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	35
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	99
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	13
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
Smkl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property	
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils	
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	19
Ultramar	31

Mines	
Lonrho	22
RTZ	45

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	52.09	52.64	56.01	+0.27	4.99
Gilts & Fixed Int	6	101.4	101.4	107.5	-0.4	10.23
High Inc Equity	6	127.3	[illegible]	[illegible]	[illegible]	[illegible]
Worldwide Bond	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Growth						
American Growth	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Pacific	6	131.4	[illegible]	[illegible]	[illegible]	[illegible]
Assets & Earnings	6	[illegible]	[illegible]	160.1	-0.4	3.03
Capital Reserve Acc	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Reserve Inc	0	73.14	73.14	73.21	-0.07	[illegible]
Comdty & Energy	6	103.7	103.7	111.0	-0.4	[illegible]
Dividend & Growth	6	[illegible]	[illegible]	[illegible]		[illegible]
1992 Enterprise	6	60.08	[illegible]	60.30	[illegible]	2.43
Euro Capital Acc	6	104.8	104.8	112.1	-0.2	[illegible]
Euro Capital Inc	6	100.6	100.6	107.6	-0.3	[illegible]
General	6	[illegible]	[illegible]	178.4	-0.4	2.80
International	6	[illegible]	[illegible]	64.72	-0.24	0.78
Japan	6	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Momentum	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Growth Acc	6	170.3	170.3	[illegible]	[illegible]	[illegible]
UK Growth Dis	6	111.3	[illegible]	[illegible]	[illegible]	[illegible]
US Emerging Cos	6	55.69	57.16	60.81	-0.19	[illegible]
Income & Growth	6	[illegible]	297.5	316.5	-0.4	[illegible]
Ethical	6	46.38	46.38	49.63	[illegible]	[illegible]

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trust's dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	52.46	53.29	56.83	+0.74	0.19
(Accum Units)	5	53.99	54.84	58.48	+0.81	0.19
European Opps	5	78.38	78.69	83.92	+0.01	0.00
(Accum Units)	5	78.81	79.12	84.38	+0.01	0.00
Far Eastern Opps	5	133.08	133.43xd	142.32	+0.41	0.00
(Accum Units)	5	133.93	134.29xd	143.23	+0.41	0.00
Golden Opps	5	40.19	40.19	42.85	-0.20	0.00
(Accum Units)	5	41.33	41.33	44.08	-0.28	0.00
Intl Hi-Yield	5	59.95	59.97	63.96	+0.75	4.31
(Accum Units)	5	65.35	65.37	69.72	+0.16	4.31
Sanyo Japan Tst	5	62.10	62.10	66.23	-0.63	0.00
(Accum Units)	5	62.10	62.10	66.23	-0.63	0.00
Kangaroo	5	30.46	30.48	32.49	-0.08	1.28
(Accum Units)	5	30.64	30.64	32.67	-0.08	1.28
Oriental Income	5	32.99	33.06xd	35.26	----	4.96
(Accum Units)	5	37.49	37.56xd	40.06	+0.09	4.96
Pacific Technology	5	60.96	60.96xd	65.02	-0.85	0.00
(Accum Units)	5	61.45	61.46xd	65.54	-0.86	0.00
Tiger	5	150.86	150.86	160.91	+1.07	0.68
(Accum Units)	5	153.21	153.21	163.42	+1.08	0.68
UK Hi-Yield	5	43.06	43.06	45.92	+0.02	4.97
(Accum Units)	5	49.23	49.23	52.50	+0.02	4.97
UK Opps	5	53.68	56.23	60.19	-0.25	0.70
(Accum Units)	5	58.41	61.19	65.45	-0.27	0.70
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	91.02	92.75	98.67	.....	4.00
Timberlake Unit Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 01 407 5966						
Portfolio	2	97.44	97.44	100.34	+0.42	1.2
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing - 12 Noon Historic						
TR American Gwth	5¼	47.87	47.87xd	51.06	+0.43	0
TR Eur Sp Sits Acc	5¼	44.98	44.98	47.90	+0.29	0
TR Eur Sp Sits Inc	5¼	44.11	44.11xd	46.97	+0.28	0
TR Far East Opps Inc	5¼	23.60	23.60	24.95	+0.05	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co.

Providence Capital Life Assc. Co Ltd

Providence Capital Life Assc. Co Ltd - Contd.

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Life Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Life Assurance Co Ltd - Contd.

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

Towry Law & Co - Contd.

J. B. Ward Financial Services Ltd

Westport Asset Management Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

Capital House Fund Mgrs - Contd.

Gartmore Fund Managers International Ltd

Midland Bank Fund Managers (Jersey) Ltd

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

Allied Dunbar Intl Fund Mgrs

Lloyds Intl Money Market Fund Ltd

Royal Bank of Canada Fund

Fleming Group

Gartmore Luxembourg SA

Henderson Management SA

Hypo Foreign & Colonial P'folio Fd Mgt.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Atlas Fund						
Global Cap Portfolio		$-	2.401	2.547		0.25
United States Portfolio		$-	2.488	2.640		0.55
United Kingdom Portfolio		£-	1.077	1.143		11.80
Cont'l Europe Portfolio		DM-	4.511	4.784		0.45
European Portfolio		£-	1.122	1.190		–
Japan Portfolio		£-	0.789	0.838		–
Pacific Portfolio		$-	2.546	2.700		1.00
Gold Portfolio		$-	2.184	2.252		
UK Growth of Income		£-	1.142	1.212		
Sterling Gilt Portfolio		£-	0.905	0.960		5.00
[illegible]		$-	1.887	1.999		3.50
Dollar Portfolio		$-	2.071	2.072		7.50
Yen Portfolio		¥-	0.884	0.885		2.20
Sterling Portfolio		£-	1.040	1.042		
Midland International Circuit Fund SICAV						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
UK Growth		£-	0.998	1.059		–
European Growth		£-	1.095	1.162		–
Japan Growth		£-	1.014	1.076		–
Pacific Growth		£-	0.960	1.019		–
Nth American Growth		£-	1.019	1.081		–
UK Fixed Interest		£-	1.019	1.075		–
Multicurrency Bond		£-	1.013	1.075		–
UK Stlg Liquidity		£-	1.016	1.078		–
US$ Liquidity		£-	1.022	1.084		–
Morgan Grenfell UT Mgrs/Deutsche Bank						
Representative for IHE, Luxembourg						
20 Finsbury Circus, EC2M 2UT 01-826 0826						
Eurorenta		DM-	79.51	81.90		–
DM Reserve		DM-	115.43	116.60	+0.1	–
Dollarrenta		$-	48.50	50.00		–
Nomura Global Fund						
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 8050						
Asia Pacific P'folio			58.29			–
Royal Trust Asselmix Fund						
41 Avenue de la Gare L-1611, Luxembourg 352 409 061						
Equity Funds						

	Bid Price	Offer Price	+ or -	Yield Gross
NM Financial Mgmt Intl Ltd—Contd.				
Deutschemark Currency		DM4.971	+0.001	2.36
Dollar Currency		$0.975	+0.001	4.91
Sterling Currency		£0.978	+0.001	10.48
Yen Currency		Y197.6	+0.1	1.40
Managed Currency	£0.946	1.006	+0.001	6.94
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,547	3,981		–
New Generation Fd. $	$18.87	19.07		–
[illegible]	Y10,282	10,437		–
[illegible]	Y8,458	8,584		–
Strongfield Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£13.11	13.89		–
Pacific Basin Fd	$105.59	111.42		–
Western European	£18.59	19.91		–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.27	1.34		
Hi Yield Bond	62.2	65.3		13.38
Internat. Spec. Sits	49.8	52.4	-0.2	–
Mariposa Fd	76.6	80.5	-2.3	–
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$700.97			–
Fixed Income Shares	$804.85			–
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$13.57	14.24	+0.25	–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mega Growth	$11.27		-0.20	–
Yamaichi ISS Fund	$7.86		-0.22	–
Yamaichi CB Plus Fund	$8.37		-0.10	–
Thai Inv Fund	$11.98			–

JERSEY (**)

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Irish Fund Managers (CI) Ltd				
Sterling Currency Fd	£24.4936			–
Managed Currency Fd	$34.4156			–
De Sterling Equivalent	£21.0417			–
Ecu	Ecu12.7545			–
Irish Gilt Fd	I£186.9736			–
Intl Managed Dollar	$23.5642			–
Intl Managed Bond	I£21.1578			–

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

DUBLIN (SIB RECOGNISED)

GUERNSEY (**)

	Bid Price	Offer Price	+ or -	Yield Gross
Nomura Prudential Global Portfolio				
NAV Apr 10	$13.95		+0.10	–
Nomura Rosenberg Alpha Fund Mark II				
Portfolio A: NAV	$13.26			–
Portfolio B. NAV	$10.06			–
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr262.0	263.0		–
Low Risk Fund	DKr205.0	206.0		–
High Perf Fund	DKr245.0	246.0		–
Bond Fund	DKr159.0	160.0		–
Second Low Risk Fd	DKr168.0	169.0		–
Second High Perform Fd	DKr197.0	198.0		–
Mixed Intl Fd	DM142.0	143.0		–

	Bid Price	Offer Price	+ or -	Yield Gross
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest. Fund	DM70.07	72.20		3.00
Unico Equity Fund	DM64.52	66.46		3.00
Union-Investment-Gesellschaft GmbH				
Unifonds	DM38.84	40.80		–
Unirak	DM82.66	86.80	-0.60	–
Unirenta	DM34.53	35.60	-0.10	–
Viking Fund—SICAV				
$NAV Apr 10 Ecu80.00				
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
DM Fd OPUPs	DM9.58	9.64		–
Yen Fd BOPUPs	$7.21	7.22		–
Yen Fd OPUPs	$9.70	9.77		–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst.	$11.99	12.72	-0.12	0.86
Japanese Warrants	$7.03	7.45	+0.36	–
Asian Warrants	$9.11	9.65	-0.18	–
European Warrants	$9.79	10.37	+0.14	–
Wells Fargo U.S. IT Fund				
NAV April 9		$9.70		–
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$0.9985		–
Xiphias Int ECU		Ecu1.0023		–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$20.20		–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fd	14.49	–	15.30	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.83	–	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fnd	14.75	11.50	15.78	6-Mth
7-day Fund	14.20	11.08	15.19	6-Mth
Special Fund	14.62	–	16.01	Mth
Dollar	7.00	5.46	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc.	13.50	10.53	14.60	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.53	14.73	Mth
Mth Int Chq £5,000-£49,999	14.00	10.92	15.31	Mth
Mth Int Chq £50,000+	14.50	11.31	[illegible]	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6902	
OMNA (£2,001 +)	14.78	11.57	16.265	Mth
HICA (£2,001 +)	13.90	10.88	15.248	Mth
PROMNA (£250,001+)	14.90	11.66	16.404	–
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000–9,999	13.782	10.750	14.921	Qtr
£10,000+	14.103	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01 601 6746	
Money Mkt Cheque Acc	13.6	10.6	14.45	Mth
Barclays Capital Advantage Account				
94 St Paul's Churchyard EC4M 8EH			01-248 9155	

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Weak yen attracts no support

THE YEN weakened yesterday and as trading closed in London central banks showed no sign of providing further support for the Japanese currency. There was no indication that the Group of Seven is prepared to give more than token support to the yen, underlining the view that it is up to Japan to put its house in order, rather than look for help from other countries.

Market opinion hardened towards the view that the only way to solve the problem of the yen's lack of attraction is to increase domestic interest rates, but equity prices continued to fall in Tokyo on fears of higher rates, illustrating the difficulties facing the Bank of Japan.

Mr David Deakin of Nikko Bank in London suggested there is still some way to go however in bringing down Japanese share prices to levels ruling in the US and Europe, and that the authorities in Tokyo would be wiser to concentrate on the problems of rising money supply growth and inflationary pressure.

Against this background a rise in the Bank of Japan's discount rate cannot be ruled out, according to Mr Deakin. He added that the long Easter week-end in the US and Europe could present an ideal opportunity for Japanese rates to rise, and that the market was therefore unlikely to run large positions against the yen over this period.

After trading in a narrow range the dollar closed in London at Y158.55 against the yen, compared with Y157.45 on Monday. The US currency also rose to SFr1.4965 from SFr1.4955, but was slightly weaker against members of the European Monetary System, falling to DM1.6905 from DM1.6915 and to FFr5.6775 from FFr5.6800. The dollar's index rose to 68.6 from 68.4.

The D-Mark was slightly firmer, rising to Y93.80 from Y93.10 against the yen. It also rose to L734.50 from L734.25 in terms of the Italian lira and to FFr3.3585 from FFr3.3580 against the French franc. Nevertheless the question of German monetary union continued to overhang the D-Mark, and the currency fell to its lowest level against the franc since October 1987 at the Paris fixing.

Mr Otto Lambsdorff, leader of the Free Democrats in the Bonn coalition Government, said the West German Government must reach agreement on a proposal for currency union next week, and East Berlin must then react as quickly as possible, if a target of union by July 1 is to be met.

Sterling lost a little ground, on nervousness about the UK political situation and on fears that tomorrow's figures on British retail prices and average earnings will point towards rising inflationary pressure. However, in general the pound remained on the sidelines. It lost 45 points to $1.6350, and fell to DM2.7650 from DM2.7725; to SFr2.4475 from SFr2.4525; and to FFr9.2825 from FFr9.3125, but rose to Y259.25 from Y258.25. Sterling's index declined 0.2 to 87.2.

EURO-CURRENCY INTEREST RATES

Apr 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14⅝	14⅞-14⅞	14⅞-14⅞	15⅛-15⅛	15½-15⅜	15¾-15⅝
US Dollar	8⅛-8⅛	8⅛-8⅛	8⅝-8⅛	8⅛-8⅛	8⅝-8⅛	8⅝-8⅛
Can. Dollar	12⅞-12⅝	12⅞-12⅝	13⅛-12⅞	13⅛-13⅛	13⅛-13⅛	13⅛-13⅛
D. Guilder	8⅛-8⅛	8⅛-8½	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	9⅛-8⅞
Sw. Franc	9⅝-9½	9½-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛
Deutschmark	8-7⅞	8-7⅞	8⅛-7⅞	8⅛-8⅛	8⅛-8⅛	9-8⅞
Fr. Franc	10-9⅞	10-9⅞	10-9⅞	10⅛-10	10⅛-10⅛	10⅛-10⅛
Italian Lira	13-11	11⅛-10⅛	11⅞-11⅛	12⅛-11⅝	12⅛-11⅞	12⅞-12⅞
Belgian Franc	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Yen	7⅛-7	7⅛-7	7⅛-7⅛	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞
D Krone	11⅝-11⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	8⅛-8⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9 per cent; three years 9⅛-9⅛ per cent; four years 9⅛-9⅛ per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Apr.10	Latest	Previous Close
£ Spot	1.6390-1.6400	1.6340-1.6350
1 month	0.93-0.92pm	0.87-0.86pm
3 months	2.62-2.60pm	2.63-2.60pm
12 months	9.58-9.50pm	9.48-9.41pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

Apr.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6300-1.6360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.8950-1.9020	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	3.10¾-3.11¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	56.95-57.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	10.53¾-10.57¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

Apr.10	£	$
Iran	116.00*	70.20*
Kuwait	1145.80-1164.30	704.10-709.70
Kuwait	0.47940-0.48000	0.29340-0.29360
Luxembourg	57.10-57.20	34.90-35.00
Malaysia	4.4540-4.4650	2.7300-2.7320
Mexico	4535.40-4567.00	2770.00-2795.00
N. Zealand	2.8210-2.8255	1.7275-1.7295
Saudi Ar.	6.1275-6.1330	3.7500-3.7510
Singapore	3.0650-3.0730	1.8780-1.8800
S. Af (Cm)	4.3330-4.3440	2.6550-2.6565
S. Af (Fn)	6.3815-6.5080	3.9065-3.9840
Taiwan	42.85-42.95	26.25-26.30
U.A.E.	5.9990-6.0065	3.6720-3.6730

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EMS EUROPEAN CURRENCY UNIT RATES

EXCHANGE CROSS RATES

F Fr.	1.077	1.761	2.979	279.3	10.	2.637	[illegible]
S Fr.	0.408	0.668	1.129	105.9	3.792	1	[illegible]
H Fl.	0.321	0.525	0.888	83.30	2.982	0.786	[illegible]
Lira	0.495	0.805	1.362	127.7	4.573	1.206	[illegible]
C $	0.527	0.861	1.456	136.5	4.888	1.289	[illegible]
B Fr.	1.750	2.861	4.838	453.7	16.24	4.283	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EURODMARK OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6350	1.6258	1.6089	1.5834	1.5405

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6138	1.6158	1.6130	1.6142
Sep	1.5900	1.5900	1.5870	1.5890

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
April	2086.0	2082.0	-13.0	2090.0	2073.0	5,352
May	2084.0	2085.0	-11.5	2087.0	2075.5	487
June	2082.0	2082.0	-15.0	2082.0	2082.0	137
September	-	-	-	-	-	10

Estimated volume 3,130 Total Open Interest 5,986

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

Longer rates firm

THE LONGER end of the London money market continued to firm yesterday, in nervous expectation of tomorrow's figures on UK retail prices after Monday's disappointing data on producer prices. A weakening of the pound added to the nervous tone, contributing to the rise in one-year sterling interbank to 15$\frac{21}{32}$-15$\frac{19}{32}$ per cent from 15$\frac{9}{16}$-15$\frac{7}{16}$. Three-month money was little changed at 15$\frac{5}{16}$-15$\frac{5}{32}$ per cent against 15$\frac{5}{16}$-15$\frac{1}{16}$, suggesting there is no pressure for higher bank base rates, despite the nervous mood.

UK clearing bank base lending rate 15 per cent from October 5

September delivery has now taken over as the most active month in short sterling futures on Liffe, on fading expectations of any change in base rates before delivery of the June contract. September short sterling opened lower at 85.01 yesterday. This was the day's high, as the weaker pound depressed sentiment, pushing the price down to a low of 84.91. It closed at 84.92, against 85.05 previously.

The Bank of England initially forecast a day-to-day credit shortage of £250m on the money market, but revised this to a shortage of £300m in the afternoon. The authorities did not operate in the market during the morning, but in the afternoon gave help of £198m, by purchasing band 2 bank bills at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £264m, with Exchequer transactions absorbing £20m, and a rise in the note circulation £75m. These outweighed bank balances above target of £130m.

In Frankfurt call money rose to 7.95 from 7.90 per cent. Credit conditions remained tight, as money has recently flowed out of the market to pay for a Federal floating rate note. Banks are also bidding for funds to build up reserve holdings with the Bundesbank. Holdings averaged DM58.1bn for the first eight days of April, against expectations that the Bundesbank will set a minimum requirement of about DM59bn for the whole month.

Call money was left only slightly below the 8 per cent Lombard emergency financing rate. The Bundesbank will announce the result of this week's securities repurchase agreement tender today. The central bank has offered liquidity to the money market via a 28-day pact, at variable bid rates. This replaces an expiring 35-day facility of DM19.0bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.10) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8¼	bid 8⅛	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	7.63	Three year	8.58
Broker loan rate	9¾	Two month	7.67	Four year	8.59
Fed.funds	8¼	Three month	8.02	Five year	8.57
Fed.funds at intervention	-	Six month	8.19	Seven year	8.63
		One year	8.29	10-year	8.57
		Two year	8.53	30-year	8.54

Apr.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.80-7.90	7.95-8.10	8.10-8.25	8.45-8.60	8.00
Paris	9⅞-10	10-10⅛	10⅛-10¼	10⅛-10⅛	10¼-10⅜	9.75
Zurich	8⅞-8⅝	9-9¼	-	9-9¼	-	-
Amsterdam	8.20-8.30	8.33-8.43	-	8.52-8.62	-	-
Tokyo	7-7⅛	7⅛-7⅛	-	7¼-7⅛	-	-
Milan	11⅞-12½	12⅛-12⅞	-	12⅛-12½	-	-
Brussels	10.80	10⅛-10⅛	-	10⅛-10⅛	-	-
Dublin	11¼-11⅛	11⅞-11⅞	12-12⅛	12⅛-12⅛	12¼-12⅜	-

LONDON MONEY RATES

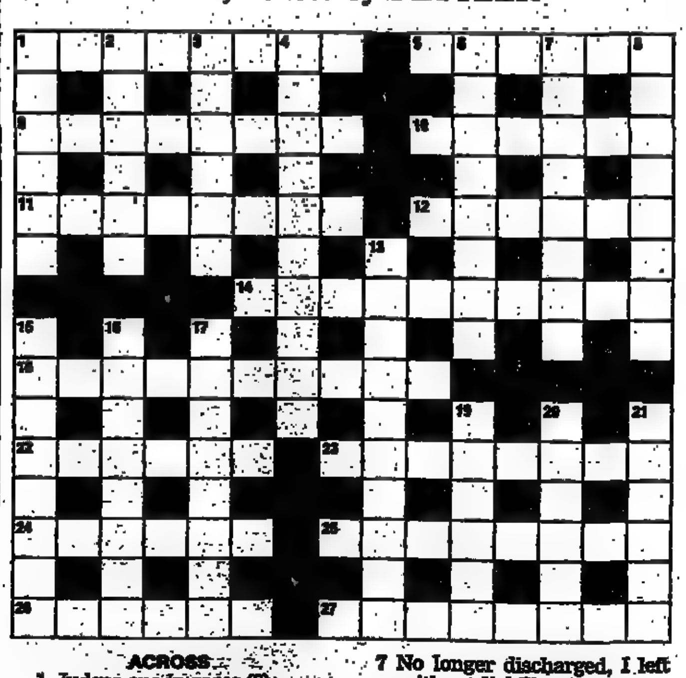
Apr 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14⅝	15	15⅛	15½	15⅝
Interbank Bid	14⅞	14⅝	14⅞	15⅛	15⅛	15½
Sterling CDs.	-	-	14⅞	15⅛	15⅛	15½
Local Authority Deps.	14⅝	14⅞	14⅞	15⅛	15⅛	15½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14⅝	14¾	14⅞	-	-
Company Deposits	-	-	14⅞	15⅛	15⅛	15⅝
Finance House Deposits	-	-	15	15⅛	15⅞	15⅞
Treasury Bills (Buy)	-	-	14⅞	15⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs.	-	-	8.35	8.45	8.53	8.78
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	9⅞
SDR Linked Dep. Bid	-	-	9	9⅛	9⅛	9⅞
ECU Linked Dep. Offer	-	-	10¼	10½	10¾	10⅞
ECU Linked Dep. Bid	-	-	10⅛	10⅜	10⅝	10⅞

Treasury Bills (sell); one-month 14⅝ per cent; three months 14⅝ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.5553 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 30, 1990. Agreed rates for period April 25 to May 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.57 p.c. Reference rate for period March 1, 1990 to March 30, 1990, Scheme IV&V: 15.311 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from April 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,213 Set by FETTLER



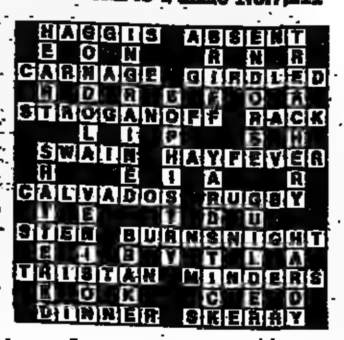
ACROSS

1 Judges one in races (8)
5 Be in neutral or natural (6)
9 Elated, if duplet is thrown (8)
10 Snake, taking shelter, at rest .... (6)
11 .... stops being sinuous serpent, see! (8)
12 One of the front row and wing drive forward (6)
14 Dish that is gobbled by indiscriminate diner (10)
18 Petty eastern state is surrounded by throbbing vitality (10)
22 Originated salad-sarnie (6)
23 One moving motion in favour of model (8)
24 Oil film (6)
25 Bob Chase is switching (8)
26 What's savoured at Ted's – stew? (6)
27 Stirring gluepot endlessly; that's the end (8)

DOWN

1 Ruffs made of square remnants (6)
2 Having poor diet, is questionably filled (3,3)
3 Secured at some cost (6)
4 Function attended by superior friend in due course (10)
6 To begin with, neat ignores irritable complaint (4,4)
7 No longer discharged, I left without liability (8)
8 Peered questioningly about Liberia's capital and left disgusted (8)
13 Press-gangs's craft (10)
15 Holy man – one, in truth, as you'd expect him to be (8)
16 They are used to separate many things, including fish (8)
17 Lice seen infesting mine host (8)
19 Mineral line abandoned after spar's half extracted (6)
20 Questioning, as ruler might be (6)
21 Sweetmeat that's the latest thing in Delaware (6)

Solution to Puzzle No.7,211



WORLD STOCK MARKETS

AUSTRIA — April 10 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG — April 10 — Frs. — + or −

[illegible]

DENMARK — April 10 — Kr — + or −

[illegible]

FINLAND — April 10 — Mks — + or −

[illegible]

FRANCE — April 10 — Frs. — + or −

[illegible]

JAPAN — April 10 — Yen — + or −

[illegible]

GERMANY — April 10 — Dm. — + or −

[illegible]

ITALY — April 10 — Lire — + or −

[illegible]

NETHERLANDS — April 10 — Fls. — + or −

[illegible]

NORWAY — April 10 — Kroner — + or −

[illegible]

SPAIN — April 10 — Pts. — + or −

[illegible]

SWEDEN — April 10 — Kronor — + or −

[illegible]

SWITZERLAND — April 10 — Frs. — + or −

[illegible]

SOUTH AFRICA — April 10 — Rand — + or −

[illegible]

AUSTRALIA — April 10 — Aust$ — + or −

[illegible]

HONG KONG — April 10 — H.K.$ — + or −

[illegible]

MALAYSIA — April 10 — MYR — + or −

[illegible]

SINGAPORE — April 10 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices April 9

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]					

t—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Apr 9	Apr 6	Apr 5	Apr 4	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2722.07	2717.12	2721.17	2719.37	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	(u)	90.61	90.69	90.55	93.04 (3/1)	90.30 (29/3)	—	—
Transport	1171.05	1174.08	1181.37	1182.25	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.10	213.66	213.28	214.47	236.23 (2/1)	212.90 (22/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2737.39 (2732.43) Low 2701.35 (2695.50)

STANDARD AND POOR'S	Apr 9	Apr 6	Apr 5	Apr 4	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	341.37	340.08	340.73	341.09	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	397.09	395.65	396.05	396.02	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.47	27.15	27.52	27.84	31.87 (3/1)	27.15 (6/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.35	186.78	187.15	187.31	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.68	361.01	361.23	361.12	382.45 (5/1)	345.50 (30/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	430.18	430.90	433.42	435.42	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 6	Mar 30	Mar 23	year ago (approx.)
Dow Industrial Div. Yield	4.03	4.06	4.06	3.62

	Apr 4	Mar 28	Mar 21	year ago (approx.)
S & P Industrial div. yield	3.05	3.04	3.05	3.24
S & P Indl. P/E ratio	15.09	15.07	14.97	12.79

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Ames Dept Stores	4,147,100	3⅛	- ⅛
Telecom USA	3,561,100	38⅛	+16¼
Philadel Elect	1,641,200	16⅞	+ ⅛
Philip Morris	1,517,700	41⅞	+ ⅜
Con Ne Pwr	1,506,200	19	+ ⅛
Chicorp	1,475,300	23⅛	+ ⅛
Fannie Mae	1,197,100	33⅜	+ 1⅛
Norwest Corp	1,190,700	18⅞	- ⅛
BankAmerica	1,009,700	26⅜	+ ⅜
Am T & T	992,500	42⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Apr 9	Apr 6	Apr 5
New York	116.370	139.522	145.524
Amex	8.319	10.967	9.521
NASDAQ	112.367	136.570	134.242
Issues Traded	1,994	1,977	1,979
Rises	661	596	716
Falls	824	864	726
Unchanged	509	517	537
New Highs	18	24	27
New Lows	62	82	55

CANADA TORONTO	Apr 9	Apr 6	Apr 5	Apr 4	1990 HIGH	1990 LOW
Metals & Minerals	3113.60	3133.90	3154.80	3157.10	3453.05 (4/1)	2921.03 (23/2)
Composite	3613.70	3632.40	3630.70	3635.00	4009.47 (3/1)	3612.30 (2/4)
MONTREAL Portfolio	1863.86	1874.06	1873.28	1877.99	2060.90 (3/1)	1852.36 (23/2)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 10	Apr 9	Apr 6	Apr 5	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1511.9	1528.2	1513.0	1505.7	1713.7 (12/1)	1505.4 (3/4)
All Mining (1/1/80)	777.5	789.6	779.1	775.7	860.8 (5/1)	770.6 (3/4)
AUSTRIA						
Credit Aktien (30/12/84)	660.35	667.82	671.04	675.28	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6100.97	6110.11	6113.86	6106.63	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	368.93	371.16	370.52	370.21	380.47 (28/3)	358.77 (2/1)
FINLAND						
Unitas General (1975)	607.8	604.3	600.6	602.4	677.3 (25/1)	590.5 (2/1)
FRANCE						
CAC General (31/12/82)	546.54	547.70	542.87	532.59	554.7 (5/1)	482.94 (26/2)
CAC 40 (31/12/87)	2075.38	2083.90	2069.89	2028.06	2083.90 (9/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	807.59	811.91	827.40	824.88	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2341.2	2353.9	2402.9	2396.0	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1898.51	1923.86	1947.84	1956.39	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2942.33	2954.74	2956.12	(c)	3014.02 (26/3)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1719.56	1722.58	1719.94	1717.69	1893.10 (22/1)	1716.96 (4/4)
ITALY						
Banca Com. Ital. (1972)	693.13	693.68	691.26	686.45	707.41 (12/1)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29624.68	30397.95	29278.78	28249.06	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2186.24	2229.27	2149.26	2058.82	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3519.96	3498.23	3391.57	3313.92	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	538.84	532.04	540.14	550.61	622.20 (20/2)	532.04 (9/4)
NETHERLANDS						
CBS Tll.Rtn Gen. (End 1983)	255.1	256.7	257.7	257.6	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	195.7	196.9	197.2	197.6	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	792.33	800.44	802.46	803.72	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1078.64	(c)	1087.55	1091.70	1160.70 (21/3)	1014.09 (5/3)
SINGAPORE						
SES All-Singapore (2/4/75)	415.66	414.18	415.04	417.58	443.34 (6/2)	413.64 (24/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1827.0	1861.0	(c)	1857.0	2230.0 (16/1)	1827.0 (10/4)
JSE Industrial (28/9/78)	2880.0	2887.0	(c)	2893.0	3211.0 (6/2)	2795.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	810.76	816.78	831.73	(c)	928.82 (4/1)	810.76 (10/4)
SPAIN						
Madrid SE (30/12/85)	257.06	255.61	252.82	250.57	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1143.10	1143.00	1141.90	1134.90	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	753.7	749.1	755.7	749.1	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	9725.89	9814.54	10440.67	(c)	12495.34 (10/2)	9725.89 (10/4)
THAILAND						
Bangkok SET (30/4/75)	842.13	835.34	(c)	840.30	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	491.2	484.7	478.5	571.0 (4/1)	468.3 (2/4)

**Saturday Apr. 7: Taiwan Weighted Price: 9828.22 Korea Comp Ex. 819.30

§ Subject to official recalculation.

◊Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday April 10 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	26.9m	1,680	-30	NEC	11.4m	2,210	-40
Matsushita Ec I	15.1m	2,310	-50	Toshiba	10.4m	1,110	-50
Canon	14.9m	1,800	-50	Mitsui E&S	8.1m	838	-22
Nippon Steel	14.3m	955	-10	Toyota	8.0m	2,450	-80
Mitsubishi H I	12.6m	905	-38	Sony	6.8m	8,570	-80

3pm prices April 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	27	AAR	.48	1.7	17	334	28¾	28½	28⅝	– ¼
9¼	8½	ACM n	1.01	11.		90	9⅜	9⅜	9⅜	– ⅛
11⅞	10½	ACMIn	1.26	12.		1266	10¾	10½	10½	– ⅛
9⅞	7¼	ACM M	n1.01	13.		159	8⅛	8	8	
12⅛	11⅜	ACMMM				x149	11⅝	11½	11½	+ ⅛
11½	10	ACM Sc	1.26	13.		1273	10⅛	d 9⅞	10	– ⅛
9⅝	8½	ACMSp	1.01	12.		868	8⅝	d 8⅛	8⅛	– ⅜
22⅝	13⅛	AL Lab	.16	.7	20	162	21⅝	21½	21⅝	
4⅞	3	AMCA	.12e	3.8	39	109	3⅛	3	3⅛	+ ⅛
6⅛	2⅝	AM Intl			9	235	2¾	2⅝	2⅝	
23¼	16⅝	AM In pf	2	12.		21	16⅞	d16⅛	16⅛	– ½
107¼	62½	AMR			9	3127	64⅞	63½	64⅝	+1⅛
5⅛	3⅛	ARX				69	3¼	3⅛	3¼	+ ¼
72¼	39	ASA	3e	6.0		879	50¼	49½	50	– ⅞
70⅝	53⅝	AbtLab	1.68	2.4	18	3261	69¼	67¾	68⅞	+ ¾
13	8⅞	AcmeC	.40	4.2	11	61	9¼	8⅝	9⅝	– ⅛
9¼	7⅛	AcmeE	.32	4.0	10	21	8	7¾	8	
39½	28⅞	Acuson			22	149	35¼	35⅛	35¼	+ ⅛
16½	13⅛	AdaEx	2.05e	13.		86	16	15⅞	16	
15⅝	7⅝	Adobe				23	13¼	13	13¼	+ ¼
20¼	16⅞	Adob pf	1.84	9.7		8	19	19	19	– ⅜
21⅝	19⅞	Adob pf	2.40	11.		6	21⅝	21½	21½	

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
12⅝	7⅞	WyleLb	.32	2.4	15	382	11¼	11½	11⅝	+ ⅛
23	16⅝	Wyse	.60	3.1	19	8	19½	19⅝	19½	+ ⅛
		– X – Y – Z –								
69	49¾	Xerox	3	5.5	8	967	55	54½	54⅞	
49	44½	Xerox pf4.13		8.6		177	47⅞	47½	47⅝	+ ⅛
41⅛	21⅞	XTRA	.72	3.2	29	139	22⅝	22½	22⅝	
32⅛	19½	XTRA pf1.94		9.8		30	20	19⅞	19⅞	
4⅛	2⅛	Zapata				591	2⅝	2½	2½	– ⅛
21⅛	7⅞	ZenithE				228	10	9⅞	9⅞	+ ⅛
21½	14	ZeroNl	.84	4.8	9	14	17⅝	17⅝	17⅝	– ⅛
8¼	5⅝	Zemis	.99	16.		62	6¼	6⅛	6⅛	
16½	12⅝	Zero s	.40	3.0	13	1372	13½	13	13½	+ ⅛
44⅜	27½	Zurmin	.76	1.8	19	76	41⅞	41⅝	41⅝	– ⅛
12⅝	10½	Zweig	1.21e	11.		505	11⅛	11⅛	11⅛	– ⅛
10	8⅞	ZweigTl	.96	10.		701	9⅛	9⅛	9⅛	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices April 9

NASDAQ NATIONAL MARKET

3pm prices April 9

FINANCIAL TIMES

Wednesday April 11 1990

AMERICA

Tokyo's fall and earnings fears hold Dow back

Wall Street

DULL trading continued yesterday with US stock indices trading in narrow ranges, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 9.46 higher at 2,731.53 on low volume of 90m shares. On Monday, the Dow had risen 4.95 in the slowest trading of the year.

At midsession yesterday, other indices were narrowly mixed, with the Standard & Poor's 500 showing a marginal gain and the American Stock Exchange Composite a tiny loss.

The Nasdaq Composite of over-the-counter stocks outperformed other indices, rising 1.41 to 431.59. This reflected a rebound in some regional bank stocks which have been weak recently on concerns about the quality of their loan portfolios and increased scrutiny by banking regulators.

The market was cautious in the wake of the fall on the Tokyo stock market, and in the run-up to a rash of first quarter corporate earnings announcements. The dollar provided little sense of direction, trading steadily at about the levels which have prevailed for about a week.

Most money centre banks quoted on the New York Stock Exchange rebounded on Monday from their slump late last week, but regional banks quoted over-the-counter only started to come back yesterday. Among featured regional bank issues on the OTC was BayBanks Inc, which added $1 to $16¼ after news that it had made a loss of 87 cents a share after a provision for real estate loan losses. Boatmen's Bancshares, a midwestern bank, gained $⅞ to $30⅞.

Ames Department Stores provided evidence of more misery in the retailing sector, saying that it would close 74 stores and report a $228m loss for its fiscal year. Its stock fell $1 to $3¼.

Hilton Hotels slumped $1¼ to $51⅞ after its chairman said that he did not plan to put the company up for sale again in spite of talks that bidders rejected by Hilton earlier this year were interested in reviving their offers.

Springs Industries, a fabrics and home furnishings company, dropped $1 to $33 after the company estimated that its first quarter earnings would be around half the level achieved a year ago of 86 cents a share.

Adobe Systems, traded on the OTC market, jumped $2 to $38⅞ after a widely followed analyst at Shearson Lehman Hutton raised his short-term rating to a clear buy recommendation and said that, in spite of the stock's sharp rise over the last two months, it still did not reflect the company's longer-term strengths.

Canada

TORONTO'S LOSSES accelerated at midsession as gold prices dropped sharply following weakness in the bullion price. The market was also concerned that interest rates were set to rise and that first quarter earnings would disappoint.

The composite index, which started 10.2 lower at 3,603, stood 16.7 down at 3,596.9 on volume of 10.7m shares.

Among gold shares, Lac Minerals lost C$⅜ to C$13⅜ and Corona Corp fell C$⅛ to C$9⅞. A drop in the crude prices upset oil and gas shares, with TransCanada Pipelines dropping C$⅛ to C$16⅞ and Total Petroleum easing C$¼ to C$30⅞.

SOUTH AFRICA

GOLD STOCKS eased in light trading in Johannesburg as the bullion price was little changed. The JSE Gold index fell 31 to 1,827 and Vaal Reefs lost R7 to R363.

Transatlantic contrasts in world of water utilities

Andrew Hill explains how French companies cope with growth targets in a near-monopoly situation

FRIGHTENED investors in the recently privatised UK water companies have been casting envious glances across the English Channel and the Atlantic, as fears of renationalisation after a general election have caused British water company shares to sink.

On the Paris Stock Exchange and in the US, the waters look somewhat calmer.

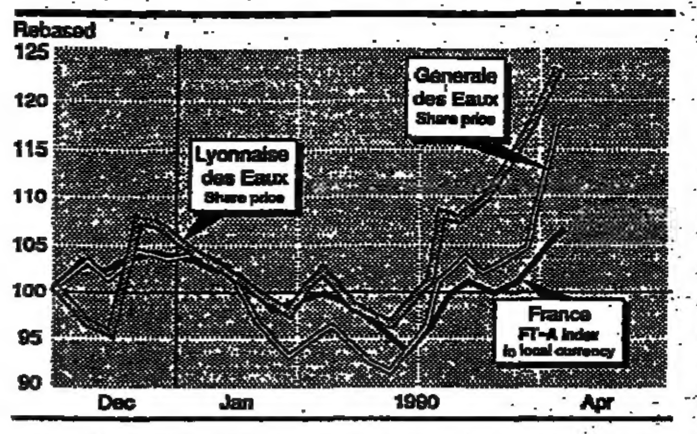
The giants of the world's water utilities are Compagnie Générale des Eaux, capitalised at more than FFr47bn ($8.3bn) and due to announce results soon, and Lyonnaise des Eaux, which is worth about FFr17bn and which exceeded analysts' estimates a week ago with a rise in 1989 net profits to FFr726m from FFr553m.

Until last December's water privatisation in the UK, they were among the only quoted water companies in the world. Investor-owned US water companies – of which there are 15 of any size – are somewhat smaller. They serve only 20 per cent of the population and the largest, American Water Works, is capitalised at $510m.

Mr Ed Tirello, an analyst with Shearson Lehman Hutton in New York, points out that there are few economies of scale available for the US water companies. Income is good – yield averages about 6.4 per cent – but they are strictly regulated, both economically and environmentally, and there are scant opportunities for dividend or earnings growth.

"There's little interest in them," says Mr Tirello. "At the moment, you can do better in the electric companies."

French water companies have the opposite market dilemma. They are hamstrung, not by their small share of the French supply but by their near-monopoly: 70 per cent of the French population receive water from private companies. That means Lyonnaise and Générale have had to go far beyond the core business of water supply to expand, transforming their stock market rating in the process.



"They're peculiarly French animals – they're really holding companies for a wide range of interests," says Mr Ian Furnivall, of UBS-Phillips & Drew.

Over several decades, both Lyonnaise and Générale have built judiciously on the solid foundation of long-term contracts awarded by municipalities. They have expanded overseas – buying private water companies in the UK, for example – and moved into new areas of activity: construction, property development and cellular telephone communications (Générale), funeral directing (Lyonnaise) and cable television (both companies).

Their shares are rated accordingly. Dividend yield is not the principal attraction of the French companies, although Lyonnaise has been making concerted efforts to maintain dividend growth.

The two companies' historic yields (about 2 per cent in both cases) and price/earnings ratios – more than 22 times – put them in the same league as general industrial stocks. Both have outperformed the market over the last 10 years.

Générale's stake in one of the growing cellular telephone networks is one example of the attractions for French water company investors. Mr David Owen of Paribas points out that this is one of several judicious trade or property investments which have helped boost Générale's market value.

But there is a slight air of caution in the market – about Générale's exposure to the construction market, for example. Construction and related business contributed nearly 50 per cent of the group's FFr85bn of sales in 1988 and some analysts argue that Générale's rating should be brought down to the level of, say, Bouygues, the construction-based group which is also France's third largest water supplier through its SAUR subsidiary.

Construction, however, makes up a much smaller proportion of Générale's profit than of its sales, and is linked to a healthy French programme of public works.

Lyonnaise has added value to its shares by establishing a portfolio of minority and controlling stakes in a range of businesses, including a rapidly expanding waste-management subsidiary, Sita. The service business tends to be a strong generator of cash.

"Both stocks are at the top of their trading range at the moment – but they're still worth buying for the long term," says Mr Owen. That is a recommendation which some of the UK's more ambitious water company chairmen, frustrated by the political risk being attached to privatisation stocks, must covet.

ASIA PACIFIC

Nikkei ends lower as yen fears revive

Tokyo

RENEWED interest rate and currency fears discouraged investors yesterday and the Nikkei average closed at its day's low of 29,624.68, down 773.25, *writes Martina Gannon in Tokyo.*

The day's high was 30,382.92. Volume dropped from 800m shares to 550m and declining issues outnumbered advances by 609 to 255, with 80 unchanged. The broad-based Topix index dropped 43.03 points to 2,186.24 and, in London, the ISE/Nikkei 50 index eased 0.82 to 1,715.37.

After Monday's Japanese newspaper reports that the Group of Seven had indicated support for the yen, investors were disappointed to see the currency weaken to Y158 to the dollar. "When it became clear that the yen was not going to be rescued by G7, that fuelled fears of a further interest rate rise, and market sentiment became very negative," said Mr George Nimmo, equity sales manager at SBCI.

One of the heaviest losers was Ajinomoto, Japan's largest food processor, which dropped Y100 to Y2,020. Among other declining stocks were carmakers, big steels and electricals. Institutional investors generally maintained a wait-and-see attitude; they had feared that Monday's rally would be followed by a correction, and were particularly wary about domestic demand-related issues which are vulnerable to a weaker yen and higher interest rates.

Fujitec rose Y80 to Y1,500 on newspaper reports of strong sales of lift and escalator equipment.

In Osaka, volume dropped from 70m shares to 51m but the OSE index rose 329 to 31,799.

Roundup

TOKYO'S FALL rippled through most of the Pacific Basin markets which were already afflicted by low volume before the Easter break.

HONG KONG slipped in quiet trading before Easter. The Hang Seng index fell 12.41 to 2,942.33 and turnover dropped to HK$791.43m, the lowest level in two months, from HK$911m on Monday.

SINGAPORE and KUALA LUMPUR rose on bargain-hunting, but Tokyo's fall brought them off their highs. United Industrial Corp (UIC), which has bid for Singapore Land, topped the Singapore actives list with 4.8m shares traded and rose 4 cents to S$2.46.

SEOUL fell on economic pessimism. The yen's decline has fanned fears that South Korean exports could become less competitive. The composite index lost 6.02 to 810.76, the lowest level since November 1988.

NEW ZEALAND advanced in sparse volume, with the Barclays index up 22.04 at 1,756.09. Air New Zealand rose 3 cents to NZ$1.76 on news that it was closer to agreement with cabin crews on work conditions.

AUSTRALIA was depressed by Tokyo and the drop in gold and base metal prices. Elders IXL lost 10 cents to A$1.88, its lowest level for 26 months.

EUROPE

Bonds weakness leads to profit-taking

WEAKNESS in bonds and Tokyo's overnight fall discouraged most markets yesterday, with profit-takers active in Frankfurt and Paris, *writes Our Markets Staff.*

FRANKFURT added continuing worries about currency union with East Germany. The DAX index slid below 1,900 for the first time since mid-March, losing 25.35 to 1,898.51, after a fall of 4.32 to 807.59 in the FAZ at midsession. Volume fell by DM1bn to DM5.2bn.

Blue chips shed varying amounts – Daimler and Deutsche Bank more than Siemens, Thyssen or the sluggish chemicals sector; the market was characterised by profit-taking.

Another DM50 fall in the construction group, Hochtief, left it still DM395 above its 1990 low, riding high alongside names such as Holzmann and Bilfinger & Berger on dreams of rebuilding eastern Europe.

In a lower-profile area, Munich Re shed another DM100 to DM2,050. The world's largest reinsurer is faced with a potential threat to earnings, after hurricane, explosion and earthquake disasters in 1989; one UK competitor is in serious financial difficulties.

However, with its strong asset base, Munich Re can also be seen as the largest and most undervalued investment trust in Germany; Mr Michael Hüttner of BNP Securities estimated net asset value at DM4,996 a share at the end of February, and the DAX is 7 per cent higher than then.

PARIS was in a more subdued mood, as investors took profits before the Easter break and in response to declines on the Matif futures exchange and in Tokyo. Turnover was thought to have fallen to about FFr2.5bn from Monday's FFr3.6bn. The CAC 40 index lost 8.52 to 2,075.38 after three days of records.

Peugeot advanced in the day's biggest volume, adding FFr13 to FFr904 with 514,300 shares traded. Investors still regard the auto manufacturer, which announces results next week, as undervalued. Another blue chip seen as a laggard, Lafarge Coppée, the cement company, gained FFr1.50 to FFr426.50 on 434,310 shares.

Fromageries Bel, the food company, lost FFr95 to FFr2,320 after Monday's news of a worse-than-expected fall in profits. CGIP, which is expected to raise its holding in CMB Packaging if MB Group of the UK sells its stake as it is rumoured to be intending to do, dropped FFr40 to FFr1,460.

AMSTERDAM was shaken by a drop in bond prices as fears of a rise in interest rates grew. Recent Dutch state bonds ended as much as 35 cents down with yields hovering around nine per cent at the close. The CBS tendency index fell 1.3 to 116.2 in moderate trading.

Philips, the most traded stock, rebounded from a low of Fl 39.90 to close 20 cents higher at Fl 40.60 on news that first quarter sales matched company hopes.

Heineken, the brewer, subsided a little after its recent gains, falling 40 cents to Fl 120 after a high of Fl 122.50. It said it was interested in buying a 29 per cent stake in the Spanish brewer, Cruz. The insurer, Stad Rotterdam, fell Fl 1.20 to Fl 47.60 after forecasting flat earnings growth in 1990.

MILAN recovered from early lows to end mixed on options expiry day, encouraged by news that 75 per cent of buy-options had been taken up. The Comit index fell 0.55 to 693.13.

Olivetti continued to advance, rising L120 to L7,050.

ZURICH saw the Crédit Suisse index shed 3.5 to 592.4 in light trading. Bank Leu was suspended all day on news that CS Holding, parent of Crédit Suisse, was holding talks with a view to an alliance; CS Holding eased SFr20 to SFr2,270.

STOCKHOLM and OSLO saw turnover contract before the Easter break. Oslo's turnover fell to NKr76m, the lowest daily volume this year. The all-share index slipped 3.72 to 615.12. In Stockholm, Ericsson continued to dominate trade, with SKr26m worth of shares changing hands. Its free B shares rose SKr3 to SKr683. The Affärsvärlden General index added 0.1 to 1,143.1.

ATHENS soared to another record in heavy trading following the conservative New Democracy party's election success. The general share index gained 51.57, or 6.7 per cent, to 822.61, following Monday's 14.7 per cent rise. Volume matched the previous day's high level, estimated at Dr3bn.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World indices as at MARCH 30, 1990 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	Market capitalisation as at MARCH 30, 1990 (US$m)	% of World Index	Market capitalisation as at DECEMBER 29, 1989 (US$m)	% of World Index	% change in $ index since DECEMBER 29, 1989
Australia (82)	88171.0	1.35	100683.7	1.33	−10.40
Austria (19)	15838.9	0.24	10184.1	0.13	+53.01
Belgium (61)	48211.8	0.74	50371.0	0.66	−4.94
Canada (120)	147337.4	2.26	157466.2	2.07	−7.66
Denmark (36)	25776.4	0.40	24139.8	0.32	+6.78
Finland (26)	3236.5	0.05	3523.3	0.05	+4.89
France (125)	217670.8	3.34	217358.3	2.86	−0.91
West Germany (96)	318671.0	4.89	282461.6	3.72	+11.30
Hong Kong (48)	55091.7	0.85	51768.2	0.68	+5.33
Ireland (17)	10179.7	0.16	9719.8	0.13	+3.74
Italy (96)	113767.1	1.75	114031.9	1.50	−0.62
Japan (455)	2180441.1	33.48	3150654.1	41.52	−31.36
Malaysia (36)	7817.8	0.12	7823.0	0.10	−0.62
Mexico (13)	7614.9	0.12	6432.0	0.08	+18.39
Netherland (43)	105186.4	1.62	106597.9	1.40	−2.37
New Zealand (17)	8657.7	0.13	10118.1	0.13	−16.13
Norway (24)	7214.4	0.11	6112.4	0.08	+17.90
Singapore (28)	15893.8	0.24	14428.5	0.19	+9.40
South Africa (60)	54538.9	0.84	56320.6	0.74	−3.09
Spain (43)	62253.9	0.96	74005.8	0.98	−16.00
Sweden (35)	25416.5	0.39	27690.8	0.36	−8.22
Switzerland (63)	84233.6	1.29	85720.1	1.13	−2.73
United Kingdom (306)	640766.4	9.84	666392.3	8.78	−5.28
USA (540)	2268523.0	34.83	2355376.6	31.04	−3.93
Europe (990)	1678423.4	25.77	1678309.1	22.11	−1.11
Nordic (121)	61643.8	0.95	61466.2	0.81	+0.98
Pacific Basin (664)	2358072.8	36.18	3335273.5	43.95	−29.87
Euro – Pacific (1654)	4034496.3	61.95	5013562.6	66.06	−20.23
North America (660)	2415860.4	37.10	2512843.0	33.11	−4.17
Europe Ex. UK (684)	1037657.0	15.93	1011916.8	13.33	+1.65
Pacific Ex. Japan (209)	175631.7	2.70	184619.5	2.43	−4.32
World Ex. US (1847)	4243987.5	65.17	5233801.3	68.96	−19.61
World Ex. UK (2081)	5871744.1	90.16	6922785.9	91.22	−15.68
World Ex. So. Af. (2327)	6457971.6	99.16	7532857.6	99.26	−14.85
World Ex. Japan (1932)	4332069.4	66.52	4438524.1	58.48	−2.98
The World Index (2387)	6512510.5	100.00	7589178.2	100.00	−14.76

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 9 1990						FRIDAY APRIL 6 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	137.36	+1.1	124.21	119.22	+1.1	5.81	135.81	122.85	117.97	158.31	133.38	128.61
Austria (19)	279.37	+0.2	252.64	245.34	−0.2	1.08	278.90	252.29	245.74	285.83	193.15	118.84
Belgium (61)	147.02	+0.4	132.95	126.71	−0.1	4.51	146.47	132.49	126.79	160.02	132.11	132.42
Canada (120)	141.21	−0.1	127.70	118.77	−0.4	3.40	141.32	127.83	119.27	153.61	137.42	133.83
Denmark (36)	251.83	+0.6	227.72	221.26	+0.1	1.46	250.33	226.45	220.97	260.62	236.09	172.69
Finland (26)	136.73	+0.2	123.64	114.59	−0.1	2.61	136.45	123.43	114.67	152.29	130.39	168.37
France (125)	162.17	+0.7	146.65	144.49	+0.4	2.71	161.11	145.74	143.93	162.17	141.69	116.11
West Germany (94)	134.35	−1.6	121.49	118.14	−1.8	1.83	136.58	123.55	120.36	137.71	122.05	85.71
Hong Kong (48)	122.28	+0.0	110.57	122.45	+0.0	5.07	122.28	110.61	122.46	124.24	112.24	127.88
Ireland (17)	187.41	+0.8	169.47	166.55	+0.5	2.58	185.89	168.15	165.73	198.57	181.49	144.30
Italy (96)	99.32	+0.6	89.82	92.13	+0.3	2.51	98.70	89.28	91.81	102.11	91.85	81.13
Japan (454)	138.29	+3.5	125.05	137.63	+3.4	0.60	133.66	120.90	133.07	197.26	124.40	188.12
Malaysia (35)	208.65	−2.1	188.68	219.22	−2.1	2.46	213.02	192.69	223.93	245.32	206.65	164.58
Mexico (13)	391.18	+0.8	353.74	1190.06	+0.7	0.44	388.03	351.00	1181.97	409.41	324.58	168.72
Netherland (43)	139.36	−0.2	126.03	121.11	−0.3	4.68	139.59	126.27	121.53	145.68	130.43	118.43
New Zealand (17)	62.04	+1.4	56.10	56.83	+1.2	7.71	61.15	55.32	56.14	75.36	60.31	67.15
Norway (25)	231.75	−0.1	209.57	206.11	−0.4	1.62	232.06	209.92	206.94	245.90	202.34	176.64
Singapore (26)	185.80	−0.2	168.01	160.62	−0.1	1.83	186.14	168.38	160.79	199.38	179.70	143.75
South Africa (60)	186.33	+0.8	168.50	161.31	+0.4	3.67	184.89	167.25	160.70	251.39	180.87	138.75
Spain (42)	141.29	+1.9	127.76	114.79	+1.4	4.62	138.61	125.39	113.20	166.19	132.84	154.08
Sweden (35)	180.46	+0.5	163.19	163.50	+0.2	2.41	179.49	162.36	163.21	206.95	173.89	157.51
Switzerland (64)	92.01	+0.2	83.21	85.31	−0.1	2.29	91.85	83.09	85.42	99.12	88.76	76.57
United Kingdom (307)	148.27	+0.2	134.08	134.08	+0.2	4.92	147.85	133.83	133.83	164.31	144.69	143.14
USA (537)	137.94	+0.4	124.74	137.94	+0.4	3.48	137.43	124.32	137.43	145.40	130.61	121.02
Europe (990)	140.56	+0.0	127.10	124.88	−0.2	3.54	140.54	127.13	125.09	146.66	135.57	117.96
Nordic (122)	188.35	+0.5	170.32	161.51	+0.1	1.86	187.49	169.60	161.40	201.89	185.01	152.00
Pacific Basin (661)	137.60	+3.2	124.43	136.20	+3.2	0.93	133.28	120.56	131.96	192.75	124.63	183.13
Euro – Pacific (1651)	139.16	+1.9	125.84	132.26	+1.8	2.00	136.57	123.54	129.92	174.16	130.35	157.06
North America (657)	138.04	+0.3	124.83	136.70	+0.3	3.48	137.57	124.44	136.26	145.78	131.02	121.69
Europe Ex. UK (683)	134.01	−0.1	121.18	118.76	−0.4	2.71	134.17	121.36	119.23	135.73	124.81	102.18
Pacific Ex. Japan (207)	128.77	+0.5	116.45	116.48	+0.5	5.18	128.07	115.85	115.89	139.32	126.77	123.52
World Ex. US (1844)	139.83	+1.8	126.45	132.42	+1.7	2.07	137.34	124.24	130.21	173.77	131.30	156.08
World Ex. UK (2074)	137.09	+1.4	123.97	134.17	+1.3	2.31	135.17	122.27	132.38	162.00	130.80	142.42
World Ex. So. Af. (2321)	137.78	+1.3	124.59	133.93	+1.2	2.55	136.00	123.02	132.28	161.84	131.95	142.49
World Ex. Japan (1927)	139.36	+0.2	126.02	132.42	+0.1	3.57	139.04	125.77	132.23	145.52	135.25	120.69
The World Index (2381)	138.08	+1.3	124.86	134.12	+1.2	2.56	136.29	123.29	132.48	162.05	132.25	142.47

Amendments have been made to the Malaysian, Singapore and related regional indices. Recalculated figures from April 2 1990 are available from FT Prices. Tel.(London) 873 4007. Latest prices were unavailable for this edition.